



SOARING TOWARDS A BRIGHTER HORIZON



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

**Merchant Bank of Sri Lanka & Finance PLC
Annual Report 2025**



The Annual Report is available
on our official website,
www.mbslbank.com



SOARING TOWARDS A BRIGHTER HORIZON

This year, MBSL has risen above challenges with resilience and determination, navigating its ascent through shifting winds. Each decision, strategy, and effort has been a deliberate step upward, lifting us closer to a brighter, more promising future.

The imagery of hot air balloons symbolizes our journey—one fueled by innovation, trust, and a renewed commitment to excellence. Much like how a balloon rises steadily with the right balance of heat and control, our bank has harnessed the energy of its people, the loyalty of its customers, and the strength of its vision to deliver remarkable results for the year under review.

After a few turbulent years, we are now soaring higher than ever. Our performance this year reflects not only recovery but a trajectory of growth, stability, and opportunity. As we rise together, we are guided by the belief that every challenge is an opportunity to innovate and every milestone is a chance to aim higher.

The horizon is brighter, and the journey ahead is filled with promise. With you—our stakeholders—on board, we are confident in our ability to continue elevating lives, businesses, and communities. Together, we are not just climbing; we are charting a path to greater heights.

CONTENTS

About the Company /	3
Milestone /	4
Product Portfolio and Features /	6
Financial Highlights /	9
Board of Directors /	10
Corporate Management /	16
Chairman's Statement /	22
Chief Executive Officer's Report /	25
Management Discussion and Analysis /	30
Operating Environment /	43
Risk Management Report /	45
Corporate Governance Report /	58
Annual Report of the Board of Directors on the Affairs of the Company /	104
Board Audit Committee Report /	109
Related Party Transactions Review Committee Report /	112
Report of the Nomination & Corporate Governance Committee /	114
The Board Information and Communication Technology Committee Report /	116
The Board Integrated Risk Management Committee Report /	118
Human Resources & Remuneration Committee Report /	121
Financial Reports	
Financial Calendar /	124
Directors' Statement on Internal Control /	125
Independence Assurance Report on Internal Control over Financial Reporting /	127
Directors' Responsibility for Financial Reporting /	128
Report of the Auditor General /	129
Statement of Profit or Loss /	133
Statement of Comprehensive Income /	134
Statement of Financial Position /	135
Statement of Changes in Equity /	137
Statement of Cash Flows /	138
Notes to the Financial Statements /	140
Quarterly Analysis /	248
Shareholder Information /	250
Decade at Glance /	252
Debenture Information /	254
Basis of Ratio & Glossary /	256
Contact Information /	263
Notice of Meeting /	268
Form of Proxy /	269
Corporate Information /	Inner Back Cover

Key pages

Chairman's Statement

Page 22

Chief Executive Officer's Report

Page 25

Management Discussion and Analysis

Page 30

Corporate Governance Report

Page 58

ABOUT THE COMPANY

As a leading financial services provider in Sri Lanka, the Merchant Bank of Sri Lanka & Finance PLC (MBSL) has a strong financial legacy and continues to be a leading specialist in the Country. A finance company licensed by the Central Bank of Sri Lanka and a listed Company in the Colombo Stock Exchange, MBSL continues to maintain its position as one of the most stable financial service providers in the Country, providing a range of secure investments for their funds, together with financial support for the growth and development of their families. Over the years, MBSL has built a strong customer base islandwide and currently operates through a network of 47 branches across the nation. As a subsidiary of the Bank of Ceylon, MBSL draws strength stability and trusted guidance from its parent BOC as it continues to grow and serve with confidence.

The first Merchant Bank was incorporated in 1982 as the Merchant Bank of Sri Lanka. In 1991, the Company was listed on the Colombo Stock Exchange, and in 2000, it secured a license to operate as a Leasing Company. The Company was renamed Merchant Bank of Sri Lanka & Finance PLC in 2014 and was registered under the Finance Business Act as a licensed finance Company authorised to carry out finance business activities.

Our Vision →

To be the most innovative business solution provider to the nation

Our Mission →

- To enhance our clients' wealth through Innovative and sustainable solutions whilst developing entrepreneurship
- To enhance shareholder value upholding highest standards of corporate governance
- To enhance knowledge and skills of employees while rewarding them for achieving service excellence
- To foster mutually beneficial relationships with our business partners
- To fulfill our responsibilities towards the society by serving the nation while maintaining principles of corporate social responsibility

Our Values →

- Uphold the highest traditions of ethics, norms and best practices in all our endeavours
- Guide our principles with wisdom and prudence in search of excellence
- Foster entrepreneurship amongst our employees in creating an atmosphere of caring, sharing and integrity
- Ensure good governance and transparency
- Delight our clientele through service excellence, differentiation and innovation
- Unite and be courageous to face challenges

About This Report →

We are pleased to present the Annual report of Merchant Bank of Sri Lanka (MBSL) for the financial year 2025, covering the reporting period from 1st January 2025 to 31st December 2025 in correspondence with the Company's financial reporting cycle. The report offers a comprehensive and balanced overview of the Company's operational and financial performance for the financial year, encompassing strategic priorities, sustainability initiatives, stakeholder engagement, governance and risk management.

This Annual Report aims to provide stakeholders with transparent, timely and credible information that reflects the Bank's current approach to value creation and its capacity to create value in the long term. Therefore, the report is prepared in accordance with applicable regulatory and accounting standards, incorporating both financial and non-financial disclosures to support informed decision-making by investors, regulators, and other stakeholders.



MILESTONE

1980

- Operated as a management consultancy division of BOC

1982

- Formed as a limited liability company, the first Merchant Bank in Sri Lanka.

1989

- Formed Lanka Securities (Pvt) Ltd, the first share brokering company in Sri Lanka.



1991

- Listed in the Colombo Stock Exchange.

1992

- Took over Colombo Credit Ltd.



2000

- Obtained license from CBSL to operate as a leasing company.
- Awarded Taiki Akimoto 5S (JASTECA).

2005

- Alliance with SBI Capital Markets Ltd - India.

2006

- Obtained ISO 9001 - 2000 & National Productivity Award.

2007

- Annual Report Award.

2008

- AA- Institutional Rating "Silver Award - Joint" for Financial Institution.

2009

- Took over MBSL Savings Bank and MBSL Insurance.
- Central Bank of Sri Lanka appointed MBSL as the managing agent of The Finance Company PLC.
- "Bronze Award" for Financial Institutions.

2012

- 30th Anniversary, opened up 16 new branches.

2014

- Name Changed to Merchant Bank of Sri Lanka & Finance PLC.
- GOLD AWARD for the annual report 2013 in the leasing sector.



2015

- Amalgamation of MBSL, MCSL & MSB and started operations as a RFC.
- GOLD AWARD for the annual report 2014 in the leasing sector.
- Islamic finance and pawning operations expanded in some Branches.

2016

- Best Employer Brand Award in Sri Lanka.
- Emerging Financial Institution of the year award.

2017

- Asia's "Best Employer Brand" Award.
- International Europe Award for Quality.
- Award for the "Best Service Provider" in HR.
- Award for the 100 Top Global HR Minds.
- The Company paved way for system change : Core Banking System.

2018

- National ICT Best Quality ICT Awards.
- Asia Pacific ICT Alliance Awards (APICTA Awards) Guangzhou.

2019

- Best Service Provider for SMEs at South Asian Business Excellence Awards 2019.
- Best Service Provider for SMEs at Asia Leadership Awards 2019.
- Partnered with mCash

2021

- Raised Rs. 2 Bn of Capital through Rights Issue.

2022

- MBSL 40th Anniversary, launched New TV commercial, website and Intranet.

2024

- Asset Base of the Company Reached to Rs. 40 Bn.

2025

- Company achieved the Asset base of Rs. 54.4 Bn.
- Bronze Award for Data Management & Compliance from CRIB.



PRODUCT PORTFOLIO AND FEATURES

LEASING PRODUCTS



Specialised leasing facilities for a wide range of brand new / registered vehicles & equipment. This includes all cars, vans, SUVs, Trucks, Buses & Lorries. Further, we have specialised leasing packages for three-wheelers, Motor-Bikes, Tractors and machinery.

MBSL is offering hassle-free leasing solutions / personalised customer service with flexible options that suit customer's repayment capacity, depending on cash flows.

LOAN PRODUCTS



1. PERSONAL LOAN (PL)

MBSL is offering the personal loan scheme mainly aiming to fulfil urgent financial requirements of employed citizens by assessing take-home salary.

2. SHORT-TERM LOAN (STL)

This product is focused on business segments to fulfil their short-term financial requirements. During the Tenure of the loan period, client is required to pay the interest for the month while the capital may be paid during the period.

3. TERM LOAN (TL)

This product is to extend financial assistance to customers fulfilling a diverse range of their personal and business financial needs by mortgaging a property.

4. EASY DRAFT (ED)

This product is focused for business segments to assist their short term financial requirements. During the Tenure of the loan the client could roll over the facility and is required to pay the interest due for the month with the capital being paid during loan period, which is limited to 24 months.

5. AUTO LOAN (AL)

This product is to extend financial assistance to customers only when purchasing a motor vehicle, mainly motor cars, dual-purpose vehicles & restricted for commercial vehicles.

6. SPEED DRAFT(SD)

Mainly focused at providing speedy financial solutions to the Sri Lankan business community and professionals. The main feature

of the speed draft facility is that it fulfils the short-term financing requirements of customers by providing them with the required finance as and when they need it.

7. ECO-FRIENDLY LOANS AND LEASING

A) Personal Loan

MBSL has introduced a Personal Loan scheme mainly for the purchase of solar energy systems, covering the upfront costs of purchasing and installing Solar Photovoltaic (PV) systems.

This product is offered to the market to attract salaried individuals working for companies, with acceptable key performance indicators and employees of state institutions.

B) Term Loan

The Term Loan scheme is mainly aimed at fulfilling the purchase of Solar energy systems, covering the upfront costs of purchasing and installing Solar Photovoltaic (PV) systems. It is for individuals for personal usage and Business entities/ Proprietorship/ Partnerships/ Limited Liability Companies.

This product provides financing for the installation, maintenance, and operation of Solar PV systems.

c) Leasing

Leasing facility specifically designed for electric vehicles, allowing individuals and businesses to use EVs without the need for a large upfront investment. Lease terms may vary based on the preferences and needs of the lessee, offering flexibility in terms of lease duration, mileage allowances, and end-of-lease options. These facilities provide accessible and affordable options for acquiring electric vehicles while promoting sustainability.

PAWNING / GOLD LOAN



RAN SAVIYA

MBSL offers 'Ran Saviya' to obtain a quick cash advance against personal gold items for those who need cash for any emergency or self-employment.

Key features

- Higher and Competitive advance amounts in the market
- Competitive interest rates

- No service charge(except for take-over transactions)
- Flexible repayment terms up to 12 months
- Highest customer trust and confidentiality
- Flexible repayment facility with monthly interest through island-wide branch network
- Financial support to acquire articles mortgaged at other institutions

CORPORATE ADVISORY & CAPITAL MARKETS



CORPORATE ADVISORY

- Preparation of corporate and business plans
- Consultancy services and feasibility studies
- Corporate restructuring
- Mergers and acquisitions
- Management and leverage buyouts

CAPITAL MARKET PRODUCTS

- Margin Trading
- Structuring & managing initial public offers, offer for sales & listing through introductions for equity and debt
- Private placement of equity and debt
- Mandatory offers
- Underwriting

- Listing of debentures/bonds
- Asset securitisation

INVESTMENTS/FUND MANAGEMENT

- Portfolio management
- Business valuations
- Investment plans for corporates and individuals

REAL ESTATE



REAL ESTATE

This product is to extend the financial assistance for Real Estate customers, fulfilling a diverse range of their personal and business financial needs when purchasing residential / commercial properties.

MBSL LANDS

- Total solution including sourcing, land developments, finance and legal services under one roof
- Easy payment plan with hassle-free attractive interest rates and extended tenure

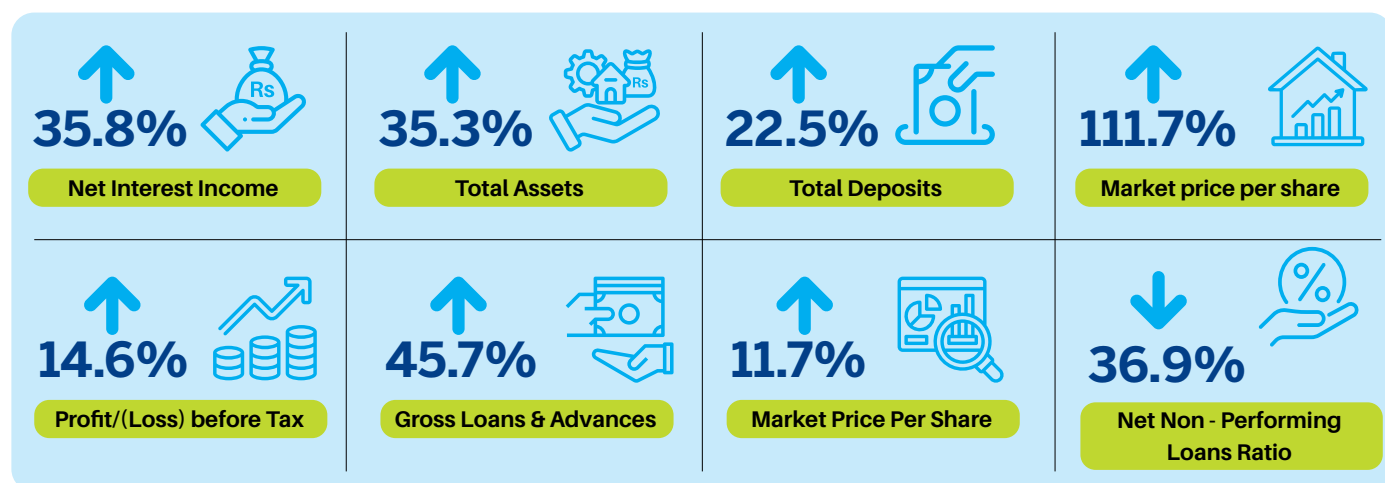
MBSL REAL ESTATE EASY PAYMENT PLANS

A revolutionary loan scheme that is designed for those who have had enough of;

- Paying rent & dealing with difficult landlords, constant relocation and issues in title searching
- Remarkably easy to obtain

FINANCIAL HIGHLIGHTS

	2025	2024	%
Operating Performance (Rs. Mn)			
Gross income	7,905	7,583	4.2
Net interest income	2,970	2,187	35.8
Operating profit/(loss) before tax VAT, SSCL & subsidiary impairment	946	843	12.3
Profit/(loss) before tax	511	446	14.6
Taxation (expense)/reversal	(245)	(205)	19.5
Profit/(loss) after tax	266	240	10.4
Retained profit/(loss)	(1,011)	(1,189)	(15.0)
Financial Position (Rs. Mn)			
Total assets	54,388	40,200	35.3
Gross loans and advances	41,316	28,350	45.7
Total deposits	31,793	25,956	22.5
Shareholders' funds	4,134	3,882	6.5
Operating Ratios (%)			
Return on assets	0.56	0.65	(13.7)
Return on equity	6.62	6.37	4.0
Cost to income ratio	76.40	77.35	(1.2)
Net non-performing loans ratio	2.41	3.82	(36.9)
Stage 3 advances against total advances	9.62	17.81	(46)
Stage 3 impairment coverage	37.79	44.09	(11.6)
Loans to deposit ratio	129.95	109.22	19
Core capital ratio	9	11.97	(24.8)
Overall capital ratio	13.24	14.45	(8.4)
Shareholder Ratios			
Earnings per share (Rs.)	0.51	0.46	10.4
Net asset value per share (Rs.)	7.88	7.40	6.5
Price earnings ratio (Times)	24.90	13.04	90.9
Market price per share (Rs.)	12.70	6.00	111.7



BOARD OF DIRECTORS



Seated

Mr. A. M. A. Perera - Chairman (Non-Executive/ Non-Independent)

Standing *Left to Right*

Mr. G. A. Jayashantha - Non-Executive/ Non-Independent Director | **Mr. R. L. S. A. Rajapakse** - Non Executive/ Independent Director
Mr. A. J. Ismail - Non-Executive Director/Non-Independent



Seated

Ms. R. Dulani Fernando - Non-Executive/ Senior Independent Director

Standing *Left to Right*

Mr. H. P. K. Silva - Non-Executive/ Non-Independent Director | **Mr. R. M. N. Jeewantha** -Non-Executive/ Non-Independent Director

Mr. H. M. P. B. Herath - Independent/Non-Executive Director

BOARD OF DIRECTORS (CONTD.)

Mr. A. M. A. Perera **Chairman (Non-Executive /** **Non-Independent)**

Mr. A. M. A. Perera was appointed as the Chairman of Merchant Bank of Sri Lanka & Finance PLC (MBSL) on 03rd March 2023. Mr. Perera served as the Senior Director of MBSL since July 2020 until he was appointed as the Chairman. He served as Chairman number of Board Committees at MBSL prior to his appointment as the Chairman of the Board and currently he serves as a member of the Integrated Risk Management Committee of MBSL. Also, he was appointed as the Chairman of MBSL Insurance Company Limited (MBSLI) on 14th November 2025.

He graduated from the University of Kelaniya with a Bachelor of Commerce (Hons). He holds postgraduate certificates in Human Resources Management and Business Administration from the Postgraduate Institute of Management (PIM) of Sri Lanka and the University of Leicester, UK respectively. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and a member of the Chartered Institute of Management Accountants (UK). He served as Finance Director of Chevron Lubricants Lanka PLC, a subsidiary of Chevron Corporation, USA from 2002 to 2019. He joined Chevron in 1996 as Manager- Finance and Administration (designate) and

rose to the position of Finance Director. He was admitted to the Chevron Board in 2002 and continued in this position until June 2019. He was also a Director of Chevron Ceylon Ltd during the same period and functioned as the Company Secretary of both Companies. He counts over 27 years of Senior Managerial experience in Accounting and Finance. He also served as the Chairman of the Technical Committee of the Annual National Conference of CA Sri Lanka for the Years 2022 and 2023.

Ms. Dulani Fernando **Non-Executive /** **Senior Independent Director**

Ms. Dulani Fernando has over 27 years of demonstrated success in driving growth and profitability across diverse industries, including manufacturing, technology, energy, and healthcare. She was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Independent/Non-Executive Director on 27th September 2024 and is currently Chairperson of the Board Audit Committee, Related Party Transactions Review Committee and Human Resources & Remuneration Committee. Ms. Fernando is also a member of the Board Integrated Risk Management Committee, Nomination & Governance Committee and Information & Communication Technology Committee of MBSL. She

was appointed as the Senior Independent Director on 13th January 2026.

As a fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Association of Chartered Certified Accountants of United Kingdom, Ms. Fernando combines her deep financial expertise with a broad international perspective. Her qualifications are enriched by a Honours Diploma in Psychology which has enhanced her understanding of human behaviour, leadership dynamics, and organizational culture, allowing her to lead high-performing teams.

Ms. Fernando's career is distinguished by her contributions to major multinational corporations such as Microsoft, Shell, and Ansell. In several of these positions, she has served in regional leadership capacities, managing cross-functional teams across multiple countries. Ms. Fernando was the first female Chartered Accountant to lead the Institute of Chartered Accountants of Sri Lanka as CEO. Her expertise encompasses strategic planning, financial management, corporate governance, business transformation, and digital innovation, equipping her to adeptly address challenges within the global marketplace.

Mr. Jehaan Ismail **Non-Executive Non-** **Independent Director**

Mr. Jehaan Ismail has a BSc (Chemistry) with Honours degree from the University of Colombo, is a fellow of the Chartered Institute of Bankers, UK, and is accredited by the Institute of Chartered Accountants in England and Wales as a Non-Executive Director. He was appointed to the Board of Directors of MBSL effective 30th January 2025 and is currently the Chairman of the Information and Communications Technology Committee. He is also a member of the Board Audit Committee, Board Integrated Risk Management Committee and the Human Resources and Remuneration Committee of MBSL.

Mr. Ismail has over 42 years of extensive commercial and investment banking experience, mainly in Asia, but also countries in the Western hemisphere and the Middle East. His experience ranges from managing boutique and full-service investment banks to running corporate banking divisions, various country operations, international trade divisions, control (audit) functions, compliance and risk management units. He spent over two years as a training executive. He has supervised support areas like general operations, IT, property, compliance, legal, fraud prevention, operational

risk, physical security, internal control, business transformation and business systems. He has also coordinated major system-related projects and was responsible for the setting up and running all investment banking support functions.

As an HSBC international manager, Mr. Ismail was Chief Operating Officer of both HSBC Colombia and HSBC Saudi Arabia; CEO of SABB Securities (HSBC Group, Saudi Arabia); Senior Vice President Corporate Banking, HSBC Indonesia; and Global Relationship Manager, Corporate Banking, HSBC Hong Kong. Former employment includes the posts of CEO of M Power Capital Limited and CEO of First Capital Holdings PLC.

Mr. Ismail is a Non-Executive Director of the Bank of Ceylon and Chairman of Hotels Colombo (1963) Limited (the Grand Orient Hotel). He sits on a few private company boards, covering finance education and investments. He has attended internal and external management and leadership development programmes, including those delivered by INSEAD and Cranfield. He has been a visiting lecturer (Institute of Bankers), teaching practice of banking and trade finance, and has delivered banking-related presentations to various external parties.

Mr. G. A. Jayashantha
Non-Executive /
Non Independent Director

Mr. G. A. Jayashantha, currently the Deputy General Manager – International, Treasury & Investment of the Bank of Ceylon's, was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non-Executive/ Non-Independent Director with effect from 20th April 2021. He is also a member of the Integrated Risk Management Committee and Nomination & Governance Committee of MBSL.

He has a distinguished career spanning over 28 years of service in the Bank of Ceylon, including approximately 13 years in senior leadership roles at AGM and DGM levels, with comprehensive exposure across retail and corporate credit, risk management, branch operations, treasury, investment banking, international and offshore banking. Throughout his career, he has consistently demonstrated strategic leadership, sound judgement, and institutional stewardship, contributing meaningfully to the Bank's stability, profitability, and long-term growth.

During his five-year tenure as DGM, he held the portfolios of Chief Risk Officer, DGM – Retail Banking, and DGM – Corporate & Offshore Banking, where he was directly involved in strategy formulation, balance sheet optimisation, risk containment,

and business transformation. These roles required an enterprise-wide perspective and close engagement with regulators, government stakeholders, and international counterparties.

He is serving as a Director of Ceybank Asset Management Ltd, and PDML, where he makes active and substantive contributions at Main Boards and Sub-Committee levels, including Audit Committee, Risk, and HRRC, functioning both as Member and Chairman. In these capacities, he has strengthened governance standards, enhanced risk oversight, and reinforced accountability frameworks while adding financial values to the respective institutions. In addition, he served as a Director of the Regional Development Bank (RDB) for two years, where he played a pivotal role in the Audit and Risk Committees.

He possesses a robust academic and professional foundation featuring a First Class Honors B.Sc. in Business Administration (Special) from USJ, a Master of Arts in Financial Economics (Merit) from UoC and, a Diploma in Credit Management (IBSL). His specialised expertise in the banking sector is validated by an Associateship of the IBSL, and Licentiate status from CA Sri Lanka. He has undertaken Globus-Advanced course in Strategic Management through Business simulation (PIM-USJ) and extensive local and

international training including Treasury Management, ALM, Risk Management, Financial Strategies and Executive Leadership Skills.

Mr. H. P. K. Silva
Non-Executive /
Non - Independent Director

Mr. H. P. K. Silva is a member of the Corporate Management of Bank of Ceylon (BoC) and currently serves as Deputy General Manager (Branch Operations) of the Bank of Ceylon. He was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non-Executive / Non Independent Director with effect from 23rd December 2021. He serves as a member of the Related Party Transactions Review Committee and Information and Communications Technology Committee of MBSL.

Mr. Silva joined the Bank of Ceylon in 1997 as a Management Trainee and commenced his career in Branch banking and counts over 28 years of extensive experience in all aspects of commercial banking including Retail and International divisions by carrying out duties as a Credit Officer, Audit Officer, Branch Manager and Dealer of Dealing room and London Branch.

Mr. Silva graduated from the University of Ruhuna with Bachelor of Business Administration (Specialised

BOARD OF DIRECTORS (CONTD.)

in Marketing) Degree with a Second Class Upper division and has obtained Master of Business Degree in Accountancy from the University of Kelaniya. He holds a Postgraduate Diploma in Business Administration and Postgraduate Diploma in Professional Marketing from CIM. He is an Associate Member of the Institute of Bankers of Sri Lanka (IBSL) and the member of the Sri Lanka Institute of Marketing (SLIM).

He played an impressive role as the Senior Manager of Trade Promotion Unit and as the Chief Manager of International Division for more than 5 consecutive years. He held several key positions of the Bank of Ceylon and played a major role of Marketing Division. He was a member of many executive management committees of the Bank of Ceylon including Reward and Recognition Committee, and Disciplinary Authority Committee.

Prior to being appointed as the Deputy General Manager (Branch Operations), he held range of Corporate and Executive Management positions including Deputy General Manager (Corporate & Offshore Banking), Deputy General Manager (Sales & Channel Management), Deputy General Manager (Finance & Planning), and Chief Marketing Officer, Assistant General

Manager (North Western Province), Assistant General Manager (Marketing) and Assistant General Manager (Western Province-North)

Mr. R. M. N. Jeewantha
Non-Executive /
Non-Independent Director

Mr. R M N Jeewantha, currently serves as the Acting Chief Operating Officer of the Bank of Ceylon. He was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non-Executive / Non-Independent Director on 23rd December 2021. He is also a member of the Integrated Risk Management Committee and Human Resources & Remuneration Committee of MBSL.

Mr. Jeewantha is a graduate of the University of Sri Jayawardenepura and holds a BSc Degree in Accountancy (Special). He obtained his MBA from the Postgraduate Institute of Management (PIM) in 2008. He is also a Senior Fellowship holder of the Institute of Bankers of Sri Lanka (FIB).

Mr. Jeewantha joined the Bank of Ceylon in 2002 as a Management Trainee and his career reflects extensive exposure to retail banking, financial management, credit management and branch operations, reflecting a well-rounded knowledge of essential banking functions. However,

his forte lies in Treasury Management, International Banking Operations, and Investment Banking. He commenced his Treasury career at the Dealing Room in 2008 as a Trainee Dealer and successfully rose to the position of CEO of the Bank of Ceylon's Primary Dealer Unit. He was later appointed to the Executive Management of the Bank as Assistant General Manager (Treasury). Subsequently, he was appointed to Corporate Management and served as Deputy General Manager (International, Treasury and Investment) and Deputy General Manager (Development Banking & Branch Credit Operations Range II). In addition, he has gained international banking exposure by working in Bank of Ceylon in London.

Apart from the functions of the Treasury Division, he has served as the Head of the Committee for the Investment in Government Securities (CIGS), Member of the Investment Committee and Secretary of Asset & Liability Management Committee (ALCO) of Bank of Ceylon.

Apart from the above, Mr. Jeewantha holds the positions of Director in Lanka Securities (Pvt.) Ltd and Ceybank Asset Management Ltd. and Member of the Governing Board of Institute of Bankers of Sri Lanka. He is a

visiting Lecturer at the University of Sri Jayawardenepura and the Institute of Bankers of Sri Lanka.

Mr. R L S A Rajapakse
Non Executive /
Independent Director

Mr. R L S A Rajapakse is a corporate and investment banker with over thirty years of industry experience, including twenty five years in executive roles and twenty years of managerial experience in the United Arab Emirates. He was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non-Executive/ Independent Director on 30th May 2025 and a member of the Related Party Transactions Review Committee of MBSL.

He began his banking career at Seylan Bank in 1995 within the Corporate Banking Department and advanced to Senior Manager at Nations Trust Bank, where he managed a portfolio of large corporate clients with a team of relationship managers. In 2005, he relocated to Dubai, UAE, where he has furthered his academic and professional career.

Mr. Rajapakse has experience in managing large corporates, multinational companies, institutional clients, government-related entities, and ultra high-net-worth business groups across various

sectors such as real estate, hospitality, contracting, telecommunications, renewable energy, and payment solutions in the MENA region with leading Middle Eastern banks.

He is skilled in client/deal origination and structuring, revenue optimisation, credit risk management, syndicated debt, and bespoke LMA standard facility documentation.

Mr. Rajapakse is a CFA Charterholder, a Qualified Chartered Accountant (FCCA-UK), Post Graduate Diploma holder from the Institute of Chartered Accountants of Sri Lanka. He holds an MBA from the University of Colombo, Sri Lanka. Additionally, he is an Associate of the Institute of Bankers of Sri Lanka.

Mr. Priyantha Herath
**Non-Executive/
Independent Director**

Mr. Priyantha Herath was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Independent/Non-Executive Director on 14th October 2025 and currently he serves as the Chairman of the Board Integrated Risk Management Committee and Nomination & Corporate Governance Committee and member of the Board Audit Committee, Related Party Transactions Review Committee and Human Resources & Remuneration Committee of MBSL.

Mr. Herath is a business leader and seasoned finance professional with over 27 years of extensive experience in finance, strategic management, mergers and acquisitions, corporate restructuring, business process re-engineering, and governance across diverse industries including financial services, manufacturing, exports, consultancy, and business process outsourcing.

He is the Founder and Chief Executive Officer of PNB Holdings (Pvt) Ltd, a multiple award-winning business process outsourcing company providing integrated finance and business support solutions to clients in Australia, New Zealand, the United Kingdom, the United States, and other international markets.

He is a fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and an associate member of the Institute of Certified Management Accountants of Sri Lanka (ACMA). He holds a Master of Business Administration (MBA) from the University of Colombo and a BSc in Business Administration (Special) Degree from the University of Sri Jayewardenepura.

Mr. Herath has contributed significantly to the profession as a visiting lecturer for MBA programmes at both state and private universities and professional accounting bodies. He serves as a director in multiple private sector companies.

CORPORATE MANAGEMENT



Seated

Mr. Dammika Hapuhinna - Chief Executive Officer

Standing *Left to Right*

Mr. Kumudu Jayasundara - Assistant General Manager - Operations and Gold Loans | **Mr. Saman Pathmadeera** - Assistant General Manager - Retail and Branch Operations | **Mr. Himala Wijayatunga** - Assistant General Manager Chief Risk Officer

Mrs. Aloka Ekanayake - Deputy General Manager - Chief Financial Officer | **Mr. Asela Liyanage** - Deputy General Manager - Recoveries/Legal



Seated

Mr. Eranga Karunaratne - Chief Operating Officer

Standing *Left to Right*

Mrs. Apsara Tillakaratne - Assistant General Manager - Information Technology | **Mr. Pandula Bandara** - Compliance Officer

Mrs. Udeni Samarawickrama - Assistant General Manager - Fixed Deposits, Savings & Treasury Front Office | **Mr. Ruchira Perera** - Assistant General Manager - Central Credit | **Mrs. Gayathri De Silva** - Assistant General Manager - Head of Human Resources

CORPORATE MANAGEMENT (CONTD.)

Mr. Dammika Hapuhinna **Chief Executive Officer**

Mr. Dammika Hapuhinna, a professional in the leasing and banking industries, brings over 34 years of extensive experience in financial services. He commenced his banking career at Seylan Bank PLC, where he developed a strong foundation in retail banking and financial management. In 2005, he transitioned into the non-banking financial sector, joining Saudi ORIX Leasing Company, the Kingdom of Saudi Arabia's first specialised leasing company and non-bank financial institution.

During his tenure at Saudi ORIX, he played a pivotal role in promoting lease financing in the Kingdom, contributing significantly to the industry's growth and development. His leadership was also instrumental in the introduction of the In-Store Banking concept at Nations Trust Bank, marking a key milestone in modern banking services.

With a distinguished career spanning multiple roles in prominent financial institutions across Saudi Arabia, Mr. Dammika Hapuhinna has gained deep expertise in a broad range of financial disciplines, including Retail Banking, Credit Management, Lease Financing, Consumer Finance, Real Estate Finance, Receivable Management, Product Development, Risk Management & Consumer Protection.

He holds a Master of Business Administration (MBA) from the University of Wales and an Executive Diploma in Business Administration from the University of Colombo. His academic credentials, combined with his extensive industry experience, have equipped him with a strong analytical and strategic mindset, ensuring effective leadership and progressive business solutions.

Mr. Eranga Karunaratne **Chief Operating Officer**

Mr. Eranga Karunaratne is an accomplished banking and financial services executive with over 31 years of international experience across banking, finance, leasing, and financial services in Sri Lanka, the United Kingdom, and Zambia. Throughout his career, he has demonstrated strong leadership in driving strategic growth, operational transformation, and sustainable financial performance within highly regulated financial environments.

Prior to joining Merchant Bank of Sri Lanka & Finance PLC (MBSL), Mr. Karunaratne served as Chief Executive Officer and Managing Director of LOLC Finance Zambia Limited. Earlier, he held the position of Chief Operating Officer at the same institution, where he led key initiatives focused on operational efficiency, process improvement, business audits, and aligning human capital strategies with organizational objectives.

Earlier in his career, Mr. Karunaratne held senior leadership roles in leading banking and financial institutions in Sri Lanka, including Head of Transactional Banking, Assistant Vice President – Branch Network, and Head of Bancassurance. In these roles, he managed a network of 96 branches and led initiatives in revenue growth, product development, operational performance, and strategic stakeholder engagement.

His professional expertise spans branch network management, transactional banking, credit operations, recoveries, trade finance, financial management, and relationship management across mass affluent and corporate customer segments.

In recognition of his leadership and contribution to the financial services sector, Mr. Karunaratne was awarded the prestigious Best CEO of Non-Bank Financial Institutions (NBFIs) in Zambia. He was also honored with the distinguished Businessman of the Year – Zambia 2025, widely regarded as the highest national recognition bestowed upon a business leader, founder, or entrepreneur in the Republic of Zambia.

Mr. Karunaratne holds an MBA from Cardiff Metropolitan University (United Kingdom), a Postgraduate Diploma in Business Management from the University of Greenwich (London), and a Diploma in Banking from the Institute of Bankers of Sri Lanka.

Mrs. Aloka Ekanayake **Deputy General Manager -** **Chief Financial Officer**

Mrs. Aloka Ekanayake brings over 28 years of experience as a financial professional in the Banking and Financial Services industry, complemented by five years of experience in auditing. She possesses extensive expertise in financial management, regulatory compliance, strategic planning, and operational governance within dynamic and highly regulated environments.

She holds a Master of Business Administration from the University of Leicester, United Kingdom. Mrs. Ekanayake is a Chartered Accountant and a Management Accountant and a Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants (CIMA), United Kingdom.

She held key leadership positions at Pan Asia Banking Corporation PLC and National Development Bank PLC prior to joining MBSL she served as Chief Manager.

She began her professional career at leading accountancy firms including Coopers & Lybrand and KPMG, gaining strong exposure to auditing standards, financial controls, and best-in-class reporting practices.

Her professional expertise encompasses finance and planning, financial reporting, Management Information Systems (MIS), and administration. Throughout her career, she has contributed significantly to strengthening financial governance frameworks, enhancing operational efficiency, and supporting sustainable growth initiatives.

Mr. K. Jayasundara **Assistant General Manager -** **Operations and Gold Loans**

Mr. Jayasundara has multi-faceted exposure in diverse areas in financial services and has previously held senior management positions in sales and marketing, operations, credit recoveries, liability management and treasury operation. He has over 25 years' experience in the industry. He holds a MBA in Banking & Finance offered from the Post Graduate Institute of Management - University of Sri Jayewardenepura and BSc (Hons) degree with a specialisation in Agricultural Economics from University of Peradeniya. He holds Diploma in Credit Management offered from the Institute of Credit Management of Sri Lanka and is an Associate member of the Institute. He holds LLB (Hons) degree from Buckinghamshire New University United Kingdom. He also completed the stage II of Chartered Institute of Management Accountants – United Kingdom.

Mr. Asela Liyanage
Deputy General Manager -
Recoveries/Legal

Mr. Liyanage brings over 25 years of extensive experience in the Finance industry with particular expertise in recovery operations. He holds a Diploma in Banking from the Institute of Bankers of Sri Lanka and a Degree of Master of Business Administration from the University of Bedfordshire, U.K.

In addition to overseeing the overall recovery operations and ensuring effective recovery processes, he has also been entrusted with administering the Legal Department since September 2025, managing ongoing litigation, conveyancing, and related legal matters.

Mr. Saman Pathmadeera
Assistant General Manager -
Retail and Branch operations

Mr. Saman Pathmadeera serves as the Assistant General Manager – Head of Retail and Branch Operations, providing strategic leadership to the Company's network of 47 branches island-wide. He is actively engaged in branch operations, ensuring operational discipline, service excellence, and sustainable retail growth across the network. With over 32 years of distinguished service, he possesses an in-depth understanding of the Company's business culture, operational framework, and customer-focused philosophy. His extensive experience continues to reinforce the organization's performance standards and strengthen its retail Growth.

Having commenced his career as a Marketing Officer and progressively advanced through key leadership roles including Branch Manager, Regional

Manager, Range Head, and now Head of Retail and Branch Operations, his journey reflects dedication, resilience, and strong leadership capability. Leveraging his enormous expertise in retail banking, credit, and branch administration, he remains committed to developing a high-quality and well-balanced business portfolio. His hands-on leadership and sound strategic direction have been instrumental in enhancing operational efficiency and driving sustainable retail business expansion.

Mr. Himala Wijayatunga
Assistant General Manager -
Chief Risk Officer (CRO)

Mr. Himala Wijayatunga is a highly accomplished professional with 20 years of expertise in risk management, financial management, and strategic management, including more than a decade specialising in financial risk management. His expertise encompasses credit, market, liquidity, operational risks, as well as business continuity management. He is also highly skilled in developing forecasting models, credit rating frameworks, VaR methodologies, and data analytics.

Mr. Wijayatunga holds the prestigious title of Certified Financial Risk Manager (FRM), accredited by the Global Association of Risk Professionals (GARP), USA, and an Associate Member (ACA) of the Institute of Chartered Accountants of Sri Lanka. He holds an MBA from the Postgraduate Institute of Management (PIM) and a B.Sc. in Business Administration from the University of Sri Jayawardenepura. Additionally, he has earned a Diploma in Bank Integrated Risk Management (DBRIM) with merit.

Throughout his distinguished career, Mr. Wijayatunga has taken on pivotal leadership roles, including his tenure as Head of Risk at AMW Capital Leasing and Finance PLC, where he was instrumental in shaping robust risk management strategies, and at MBSL, where he spearheaded the risk management division. He has also contributed his expertise to R.R. Donnelley & Sons, a recognised Fortune 500 Company listed on the New York Stock Exchange.

In his role as Chief Risk Officer of MBSL, Mr. Wijayatunga provides strategic oversight of the organisation's risk management framework, ensuring alignment with regulatory expectations, the Board-approved risk appetite, and the business strategy. He plays a key role in strengthening governance, enhancing risk culture, and supporting the long-term resilience of the institution.

Mr. Pandula Bandara
Compliance Officer

Pandula Bandara brings nearly two decades of professional experience, specialising in compliance, credit evaluation, auditing, branch management, and gold pawning. His career began as an audit examiner during his university studies, and after three years, he transitioned to the banking and finance industry, starting as a Branch Manager in 2005. In 2008, Pandula expanded his expertise by working with other financial institutions, taking on roles such as Branch Manager, In charge Pawning/Gold Loan, Regional Credit Officer, and Senior Manager – Compliance. Since September 2023, he has been serving as Compliance Officer. Beyond his professional responsibilities, Pandula is passionate about lecturing and

training he has consistently shared his knowledge with colleagues and industry peers particularly in compliance and financial services, management, personal development etc.

He holds a Bachelor of Business Administration from the University of Sri Jayawardenepura and a Post Graduate Diploma from SLIIT. He is also a Certified Business Accountant accredited by ICA. In addition, he has earned a diploma in banking and finance and is an Associate Member of the Bankers Association. Pandula has further enhanced his expertise by completing a compliance diploma at IBSL and a Compliance Certification conducted by CBSL in collaboration with IBSL.

His academic pursuits extend beyond finance, as he has obtained an Advanced Diploma in Counseling Psychology from IHRA–University of Colombo and a Master's in Buddhist Counseling Psychology from the University of Kelaniya. This unique blend of financial expertise and psychological insight strengthens his ability to train, mentor, and guide professionals with both technical precision and human understanding.

Mr. Ruchira Perera
Assistant General Manager -
Central Credit

Mr. Ruchira Perera, an accomplished professional currently serving as the Head of Credit at MBSL, boasts a distinguished career in banking spanning over 25 years. His expertise encompasses a wide spectrum of banking domains including SME, Retail, and Corporate Banking, acquired through extensive experience both locally and internationally.

CORPORATE MANAGEMENT (CONTD.)

Commencing his career in 1999, Mr. Perera initially specialised in SME and Retail Banking, gradually transitioning to Corporate Banking and Project Financing. In 2008, he embarked on an enriching journey in the State of Qatar, where he managed Commercial and Corporate Banking operations for a prestigious financial institution. Following a successful tenure abroad, he returned to Sri Lanka in 2010, contributing his talents to an emerging local bank.

Throughout his career progression, Mr. Perera has consistently demonstrated a keen aptitude for branch banking, corporate banking, and credit structuring. His most recent role prior to joining MBSL in 2024 was as Assistant Vice President of Corporate Banking, where he played a pivotal role in driving business growth and enhancing client relationships.

Mr. Perera holds a Master's in Business Administration from Cardiff Metropolitan University, United Kingdom, underscoring his commitment to continuous professional development. Additionally, he possesses a Diploma in Credit Management from the Institute of Bankers of Sri Lanka, further validating his expertise in the field of credit management.

Mrs. Gayathri De Silva **Assistant General Manager -** **Head of Human Resources**

Mrs. Gayathri De Silva is an accomplished HR leader and Certified HR Auditor with a Master of Business Administration from Canterbury Christ Church University, UK, and professional qualifications in Human Resource Management from the Chartered Institute of Personnel Management, Sri Lanka. She is an Associate Member of the Chartered Institute of Personnel

Management (AMCPIM), a Member of the Chartered Professional Managers (MCPM), and a Professional Member of the Association of HR Professionals in Sri Lanka (MHRP).

Recently appointed as Head of Human Resources, she specialises in aligning HR strategies with business objectives to foster a high-performance culture. Recognised as the National Winner of the Vanithabhimana Award (2021) in the Corporate Sector - Human Resources Management, she brings expertise in HR compliance, leadership coaching, change management, and digital transformation. Passionate about empowering teams, enhancing workplace engagement, and driving sustainable success through strategic HR excellence.

Mrs. Udeni Samarawickrama **Assistant General Manager** **- Fixed Deposits, Savings &** **Treasury Front Office**

As Assistant General Manager - Fixed Deposits & Savings, Mrs. Udeni Samarawickrama oversees the strategic growth, performance, and operational excellence of the Fixed Deposit and Savings portfolio. With over 27 years of experience within the MBSL, she brings deep expertise in operational finance, financial planning and analysis (FP&A), budgeting, reporting, and financial governance.

Throughout her career, she has played a pivotal role in strengthening cost management, enhancing compliance frameworks, improving operational efficiency, and streamlining financial processes to support the organization's stability and profitability. Her leadership style emphasises discipline, accuracy, and continuous improvement, enabling her to

support business growth while maintaining strong internal controls and customer centered service standards.

She also provided leadership and expert financial & operational insight to the new core banking system implementation team, contributing significantly to its successful deployment and operational readiness.

Mrs. Udeni holds an Executive MBA from the University of Wales Trinity Saint David (UK) and is a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. She brings a strong blend of financial expertise, operational insight, and strategic planning capability to her role, contributing significantly to the development and management of the Bank's Fixed Deposit and Savings portfolios.

Mrs. Apsara Tillakaratne **Assistant General Manager -** **Information Technology**

Mrs. Apsara Tillakaratne is the Assistant General Manager of the Information Technology Department of MBSL. She holds a Bachelor of Commerce (Special) Degree from the University of Sri Jayewardenepura and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and she is also a Microsoft Certified Professional (MCP).

Visionary Strategic IT Leader & Chartered Accountant with over 35 years of multifaceted experience in spearheading enterprise-wide technology transformations and financial excellence. A specialist in end-to-end ERP Implementations and she offers a rare blend of rigorous financial governance and cutting-edge IT strategy.

Throughout her career, she has specialised in bridging the gap between complex technical operations and organizational profitability. She is adept at leading large-scale digital initiatives, managing high valued IT portfolios, and ensuring robust internal controls and risk management frameworks. A visionary leader recognised for aligning IT infrastructure with business-critical objectives to drive sustainable growth, operational efficiency, and long-term digital resilience.

Mrs. Apsara Tillakaratne is a member of the Corporate Management Committee of MBSL, a member of the Operational Risk Management Committee and she also acts as the Core Member of the Board Information Communication Technology Committee of MBSL as well as the Co-Chairman of the Information Technology Steering Committee of MBSL.

Preparing for Lift-Off

As we prepare to take flight, the foundation is key. With strategic planning and a clear vision, we ensure that each step is intentional and impactful. The horizon awaits, and our commitment to financial inclusivity remains unwavering.



CHAIRMAN'S STATEMENT



Underpinned by the improved macroeconomic landscape, MBSL recorded a commendable performance with all KPIs demonstrating positive growth.

Dear Shareholders,

It is my pleasure to present to you the Annual Report and Financial Statements of Merchant Bank of Sri Lanka & Finance PLC for the year ended 31st December 2025. The year witnessed a rebound in the economy, creating a more conducive business climate that enabled MBSL to navigate the period effectively while remaining aligned with its strategic priorities and delivering on its business objectives. This positive momentum also strengthened the Company's confidence in sustaining its growth trajectory in the periods ahead.

Performance of the Local Economy

According to the Monetary Policy Report of CBSL, released on 13th February 2026, the country recorded a GDP growth of 5.4% in the third quarter, 2025, marking a year of recovery and indicating a clear turnaround from the 2022 economic crisis under the ongoing reform programs. Although the third-quarter growth was affected by Cyclone Ditwah, which struck the country in November 2025, the positive growth trajectory continued, supported by growth in all key sectors, contributing to improvements in all key economic indicators. Against this backdrop, credit for the

private sector witnessed a notable expansion, reflecting heightened demand for credit for financing, driven by improved economic activities and demand for vehicle imports.

Improvement in key economic indicators is a positive sign of strengthening economic fundamentals and growing market confidence. Inflation reached positive levels in the first three quarters of the year, following an increasing trend after August 2025, though remaining below the target level. In line with the accommodative policy of CBSL, the overall market interest rates improved, though variances were observed during the latter part of the year. As per the Monetary Policy Report, the external account recorded a surplus of USD 1.7 Bn, driven by strong performance and secondary income accounts, significantly narrowing the primary income account deficit. However, the Sri Lankan rupee depreciated by 5.6% against the US dollar in 2025, though it has remained broadly stable thus far during this year.

Supported by favourable macroeconomic conditions, the financial sector remained resilient with improved performance. Based on the Monetary Policy Report, the financial sector recorded a year-

on-year expansion of 44 percent in its asset base by the end of 2025, supported by increased loans and advances. As such, the gross loans and advances of the sector witnessed a significant increase of 51.9% year-on-year at the end of 2025, driven by increased vehicle and gold-backed loans, affirming the sector's resilience in collateral lending. Moreover, credit quality also improved as the Gross Stage 3 loans ratio of the sector decelerated to 6.1% by the end of 2025, compared to 11.5% reported at the end of 2024. Liquidity position of the sector remained above the regulatory requirement at the end of 2025 with a liquidity surplus of Rs. 74.3 Bn. Furthermore, the sector reported a PAT of Rs. 61.5 Bn for the period April - December 2025, recording a growth of 45.0% year-on-year for the first nine months of the financial year 2025/26. In terms of capital adequacy, FCs sector recorded a CAR of 18.7% by the end of 2025.

There was also a surge in equity market indices. While the All-Share Price Index increased by 41.9%, the SNMP index increased by 26.6%, indicating the confidence placed by the public in economic policies and the conducive business environment.

MBSL Performance

Underpinned by the improved macroeconomic landscape, MBSL recorded a commendable performance with all KPIs demonstrating positive growth.

Gross income increased by 4.2% to Rs. 7.9 Bn while net income increased by 36% to Rs. 2.97 Bn. Profit before tax increased by 14.6% to Rs. 511 Mn. The total Assets Base increased to Rs. 54.4 Bn, an increase of 35.3% compared to last year.

Although the proposed sale of the insurance subsidiary of the Company did not materialise as planned during the financial year, which marginally impacted the earnings of the Company, MBSL continued to maintain its growth momentum, reflecting the effectiveness of our strategic focus and disciplined execution.

Our focus on expanding the loan book while enhancing its quality proved highly successful, with NPA ratios declining significantly due to our robust and proactive recovery processes. This performance underscores the effectiveness of our lending strategy and risk management practices, positioning the Company for sustained growth in the foreseeable future. Consequently, we expanded our customer base further, driving growth across all segments of our portfolio.

A significant strategic initiative during the period was the implementation of the core banking system in order to centralise operations, improve efficiency, and enhance customer experience. This system went live by the end of the first quarter of 2026. We believe a well-integrated core

“ Our focus on expanding the loanbook while enhancing its quality proved highly successful, with NPA ratios declining significantly due to our robust and proactive recovery processes. ”

platform will be the backbone of the bank's day-to-day activities, leading to a paperless environment, gradually ensuring a seamless loan approval process for the customers, providing improved internal efficiencies and convenience. This will be a stepping stone in our journey towards embracing digitalisation and process reengineering in the years ahead.

Sustainability Focus

We remain firmly committed to embedding sustainability at the heart of our strategy and operations. To this end, we have focused on creating long-term economic value while minimising the environmental and social consequences of our actions.

Corporate Governance

We remain committed to upholding the highest standards of corporate governance across all aspects of our operations. While we have in place a robust corporate governance framework that is built on the principles of accountability, transparency, integrity, and ethical conduct, we continue to further strengthen it through robust policies, effective

oversight, and continuous monitoring. With strong internal controls and risk management, we have been able to foster a culture of compliance and responsible leadership that is capable of making decisions in the best interest of our stakeholders.

Future Plans

Building on over four decades of operational strength and sustained performance in 2025, we are well-positioned to accelerate our growth trajectory in the coming financial year. Our focus will be on further strengthening the quality of our loan portfolio while expanding our product suite to meet the evolving financial needs of our customers. In this endeavour, we will also proactively harness synergies with our parent, Bank of Ceylon, across our core business areas.

In line with our digitalisation efforts, we will continue reengineering processes to enhance internal efficiencies, thereby contributing to improved customer experience. The primary objective is to reduce paper usage while significantly shortening

loan approval lead times, minimising reliance on physical documentation, and gradually transforming to more efficient, technology-driven solutions.

With strong growth momentum during 2025, I am hopeful of the growth opportunities for the sector in the next financial year. We believe the current government action plan and the positive macroeconomic environment will create a conducive environment for businesses to thrive, further consolidating investor confidence.

While the domestic outlook remains positive, we remain mindful of emerging global uncertainties, particularly the ongoing tensions in the Middle East, which may exert pressure on energy prices. Any sustained increase in fuel costs could have a cascading impact on inflation and consumer purchasing power, potentially moderating economic activity. In this context, we will continue to adopt a prudent and agile approach to risk management to safeguard the Company's resilience.

Built on a resilient foundation, guided by a forward-looking strategy, and powered by a dedicated team, we are well placed to capitalise on emerging opportunities and deliver sustainable growth in the years ahead.

Acknowledgements

I would like to express my sincere gratitude to our CEO, Mr. Dammika Hapuhinna, and the entire MBSL team for their dedication, hard work, and commitment throughout 2025.

I also extend my heartfelt appreciation to the members of the Board for their invaluable guidance and stewardship. My appreciation goes to Prof. Sampath Punchihewa and Mr. Varuna Jayasinghe for their contributions during their tenure.

I am deeply grateful to our principal shareholder, Bank of Ceylon, and all other shareholders, for their continued trust and confidence in MBSL. Last but not least, I would like to thank our loyal customers, partners, and stakeholders for their unwavering support, as well as the officials of the Central Bank of Sri Lanka, Colombo Stock Exchange, and other regulatory bodies for their invaluable guidance over the year.

Together, we look forward to building on this foundation and achieving even greater success in 2026.



A. M. A. Perera
*Chairman Non-Independent/
Non-Executive Director*

30th April 2026

CHIEF EXECUTIVE OFFICER'S REPORT



“ It was a year of growth for MBSL with commendable performance in both financial and operational aspects, mainly owing to the improvements in the overall macroeconomic environment. ”

The financial year 2025 marked a period of strong recovery, with the economy expanding by 5 percent during the first three quarters of the year. This was a significant rebound from the acute economic crisis, supported by ongoing reform programs. Although growth marginally slowed down during the last quarter of the year due to Cyclone Ditwah, which caused significant damage to the country's infrastructure, the positive growth momentum continued with all key sectors demonstrating progress. This upward trajectory created an overall conducive environment for the businesses to thrive, while credit to the private sector witnessed a notable increase, reflecting heightened demand for financing amid improving economic activity. Nevertheless, this recovery remains incomplete as growth continues to be below the pre-crisis levels with a significant elevation in poverty.

The NBFIs sector experienced a strong year in terms of overall performance, supported by

improved macroeconomic conditions, surpassing the results of previous years. Asset quality improved notably, with non-performing loan (NPL) levels declining, while collection ratios strengthened, reflecting enhanced risk management and recovery efforts. Credit growth also gathered momentum, supported by improving economic conditions and increased demand for financing. As a result of these positive developments, the sector reported a meaningful improvement in profitability during the year, and this strong turnaround largely contributed to the Country's SME sector.

The regulatory landscape also strengthened during the period, with several new regulations coming into effect. A key development was the introduction of the Consumer Protection Act, with which we are committed to fully comply.

Company Performance

It was a year of growth for MBSL with commendable performance in both financial

and operational aspects, mainly owing to the improvements in the overall macroeconomic environment. From a financial perspective, all our key performance indicators improved, reflecting stronger operational performance and disciplined execution during the year. The Company achieved the significant milestone of LKR 50 Bn balance sheet in 2025, marking a major achievement for MBSL.

Our core strategic focus during the year was to build a strong credit portfolio with tailored financial products to suit the specific financial requirements of the MBSL clientele. We also focused on consolidating our digital channels to provide a seamless, integrated, and more accessible experience for our customers. These measures led to a significant expansion in our customer base in 2025.

Amongst the various initiatives implemented as part of our growth strategy, one of the key initiatives is the implementation of the core banking system,

transitioning from our legacy system to a more modern state-of-the-art centralised software platform in line with the current industry requirements. With this implementation, we look forward to enhancing workflows, streamlining operations, strengthening onboarding processes, and improving service delivery, ensuring greater customer convenience and service excellence in the years ahead.

As a subsidiary of Bank of Ceylon, we continue to capitalise on these synergies to enhance our brand value and credibility, thereby expanding our reach to a broader clientele. In addition, our focus on developing unique financial products, and digital advertising contributed to growing our customer base during the year. We revamped selected branches with a contemporary outlook to enhance service delivery while relocating some branches to more urban strategic locations to attract a potential clientele and ensure customer convenience. Awareness was also created through targeted digital advertising, reaching a wider audience and enhancing engagement with our brand. These initiatives supported the improvement of our brand visibility, enhancing our presence to the potential clientele.

Governance and operational controls have also been significantly strengthened in alignment with the Board's vision. These improvements, combined with enhanced checks and balances, are expected to yield long-term benefits, reinforcing MBSL's growth and sustainability in the upcoming years.

However, heightened competition from the major industry players continues to pose a challenge in terms of product development and employee retention. Distinguishing our products amongst the similar financial solutions offered in the market requires prudent consideration if the current customer base is to be retained. Similarly, employee retention was a major challenge, as the economic crisis led to an exodus of the country's skilled professionals, while well-performing employees were also absorbed by larger industry players, constraining our capacity for meaningful growth. Therefore, continuing to provide quality products while maintaining service excellence within MBSL's cost margins was a challenge we faced during the year.

Although key economic indicators stabilised during the year, we had to closely monitor the rising inflation and interest rate environment to manage risks effectively and ensure sustainable financial performance.

Key Highlights of the Year

A key milestone during the financial year was the implementation of the core banking system. Another significant achievement was the incorporation of performance evaluation into the collective agreement, where employee rewards and recognition are based on their performance assessments. This was a crucial milestone that enabled us to initiate an employee development culture within the organization, where employees feel valued and appreciated in the workplace. This KPI-driven culture enabled the Company to identify well-performing employees while providing employees with the opportunity to identify their own knowledge and skill gaps, ensuring that both the Company and the employee work together to achieve the expected targets within their job roles. We believe this foundation will serve as an invaluable employee retention strategy in the future, enabling us to progress further in growing our loan book.

Commitment to Sustainability

Sustainability remains at the core of our business philosophy, and thus, we are committed to operating responsibly, minimising our environmental impact, and promoting long-term social and economic well-being. We strive to create lasting value for our stakeholders while contributing to a greener, more inclusive future. With

this commitment, during the year, we launched a product for electric vehicle financing in addition to initiating a tree-planting campaign. Going forward, we intend to place greater emphasis on this area.

Corporate Social Responsibility

At MBSL, we recognise that our responsibilities extend beyond business performance to the broader communities in which we operate. Our commitment to Corporate Social Responsibility (CSR) reflects our dedication to creating sustainable social, environmental, and economic impact. By integrating responsible practices into our operations and initiatives, we aim to contribute meaningfully to society, fostering inclusive growth, and upholding ethical standards that strengthen trust with all our stakeholders.

Reaffirming the MBSL's commitment to education and community development, we successfully carried out a Corporate Social Responsibility (CSR) initiative at Thiththawelgolla School in Dambulla in October 2025. The project focused on improving the school's facilities, including its overall learning environment, thereby contributing positively to student well-being and educational outcomes. Likewise, MBSL also conducted the "Haritha Sathkaraya" Zero-Waste Environmental Cleaning Initiative on 31st August 2025 at Crow Island Beach

in Mattakkuliya to promote environmental responsibility, reduce pollution, and support the protection of Sri Lanka's coastal ecosystems.

Way Forward

With the foundation in place, we look forward to accelerating growth in the next financial year. With a significant economic rebound in 2025 and improved economic indicators, we are confident that sustained growth, underpinned by the IMF reform programs, will strengthen and improve the overall business environment. Hence, we anticipate a more business-conducive environment for the financial sector to thrive, contributing to the progress of the NBF sector, positioning MBSL for growth.

Leveraging our legacy of over 43 years and our position as a subsidiary of BOC, we look forward to taking the Company to greater heights, reaching higher profitability and higher balance sheet growth in the next two years while enhancing our brand image for greater visibility. The core banking system and the digitalisation plans are expected to facilitate service excellence, contributing to improved balance sheet and targets. Our ultimate aim is to be a fundamentally strong finance company, maintain service excellence and customer convenience, thereby tapping into the broader Sri Lankan NBF customer base.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTD.)

We will also further fine-tune our current product portfolio to cater to the evolving customer needs. We believe these efforts will drive sustainable growth and enhance our recognition within the industry. This, in turn, will strengthen our competitive position and create long-term value for stakeholders.

Acknowledgement

I take this opportunity to express my sincere gratitude to the MBSL team for their tireless effort in driving the Company towards growth, through dedication and hard work. I am also profoundly grateful to the Chairman and the Board of Directors for their unwavering support and insightful guidance during the year.

I also wish to extend my appreciation to our shareholders for their continued loyalty, trust, and confidence in MBSL's strategic direction and ongoing progress. My deep appreciation also goes to the Bank of Ceylon, our parent company, for the invaluable support and guidance extended during the financial year.

I would further like to express my heartfelt appreciation to all our valued customers for their continued trust in MBSL as a partner in their growth. Finally, I am sincerely grateful to the Central Bank of Sri Lanka, including the Governor and all officials, for their invaluable support and guidance throughout our journey.



Dammika Hapuhinna
Chief Executive Officer

30th April 2026

The Ascent Begins

The ascent is always the most exciting—an upward journey fueled by resilience and determination. As we rise, we continue to strengthen our offerings and services, ensuring we remain relevant to the evolving needs of our customers.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

This Financial Review presents a comprehensive analysis of the MBSL's financial performance for the year ended December 31, 2025, highlighting the principal drivers of growth, profitability, capital strength and overall financial resilience. It provides detailed insight into the key factors that shaped performance during the year and the effectiveness of the execution of its strategies. This section should be read in conjunction with the Operating Environment (refer page 43), which outlines the global, domestic and industry developments that influenced MBSL's financial performance and risk landscape. This section explains how MBSL strengthened its financial capital, demonstrating how disciplined strategy execution, responsible financial practices and long-term priorities collectively underpin sustainable value creation.

Review of the Company's Financial performance

Overview

MBSL recorded a strong financial performance for the year ended 2025, demonstrating resilience in its core operations despite market volatility. The financial performance for FY 2025 was characterised by a 14.6% increase in profit before tax compared to the FY 2024, driven by a significant expansion in core and non-core income streams. The Company invested in the implementation of a new core banking system during the year under review, underscoring MBSL's continued investment in its physical and digital infrastructure in providing a superior service to its customers.

Disciplined cost management ensured that operating expense growth was contained at Rs. 2,702 Mn for the FY 2025 resulting in an improved Cost-to- Income ratio of 76.4% in FY 2025, compared to 77.35% in FY 2024. The total effective tax rate (including taxes on financial services and income tax expenses) for FY 2025 is 71.03%. The Return on Equity (ROE) increased to 6.62% in FY 2025 compared to the ROE of 6.37% in FY 2024. The Company recorded a 52.6% growth in the net loan book and the total assets recorded a 35.3% increase during the financial year under review.

Interest Income

The interest income grew by 16.7% to Rs. 7,243 Mn, during the FY 2025 strengthened by a 32.7% expansion in the total Interest Earning Assets (IEA). The lending portfolio grew by 45.7% in FY 2025 resulting in a 40% growth in the corresponding interest income from the core business. As a result, the composition of the interest income from the lending portfolio grew to 84% in FY 2025 (70% in FY 2024).

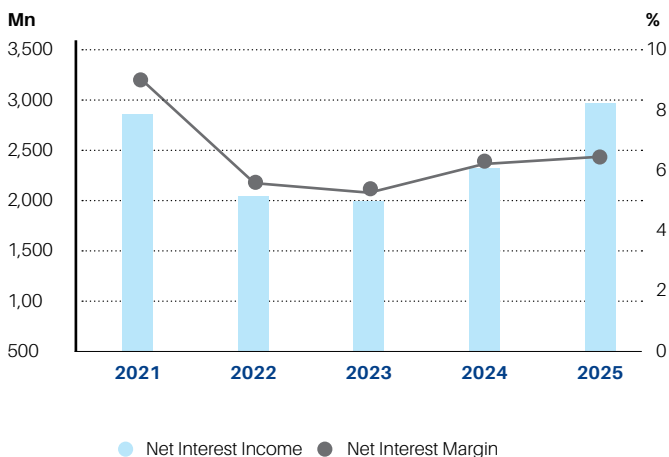
Interest Expenses

In FY 2025, interest expenses remained remarkably stable, recording only a marginal increase of 6.3% despite a significant balance sheet expansion. This efficiency was driven by a reduction in the cost of funds, which improved during the year under review. This was mainly driven by the timely repricing of the deposit portfolio in alignment with market rate trends. The reduction in deposits costs was partially offset by the growth in deposits and other Interest Bearing Liabilities (IBL) by 22.5% and 88.3% respectively.

Net Interest Income (NII)

NII grew by 35.8% to Rs. 2,970 Mn. in FY 2025 from Rs. 2,187 Mn in FY 2024, due to a 16.7% growth in interest income and the controlled 6.3% increase in interest expenses. This expansion in NIM was driven by the significant growth in the lending portfolio during FY 2025, ensuring a greater proportion of the balance sheet is allocated to revenue-generating assets.

Net Interest Income & Net Interest Margin



Impairment Charges

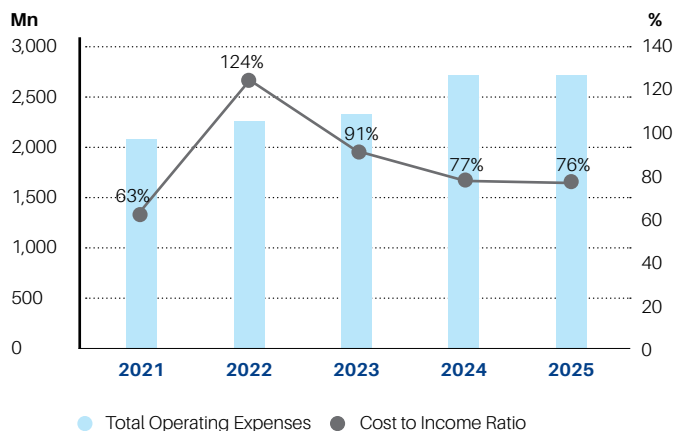
During FY 2025, the total increase in the impairment reversal was 141.4% and amounted to Rs. 111.5 Mn., compared to the impairment reversal of Rs. 46 Mn recorded in FY 2024. The reduction in the individually significant portfolio and the stage 3 collective portfolio, along with improved PD and LGD ratios, contributed to the overall reversal of impairment charges.

Operating Expenses

Despite the aggressive expansion of the loans and advances portfolio and other assets, growth in operating expenses was contained at 0.7%. A key driver of this discipline during the year under review was the management of other operating expenses which decreased by 12.0%, compared to Rs. 1,029 Mn in FY 2024. The Company was able to keep the personnel costs well under control at Rs. 1,500 Mn resulting in only a 7.1% increase over FY 2024.

Robust revenue growth and disciplined cost management resulted in a significant improvement in the Cost-to-Income Ratio (excluding taxes on financial services), which fell to 76.4 % from 77.4 % in FY 2024. This was primarily a result of the Company's ability to scale efficiently, as income growth substantially outpaced the increase in the cost base.

Operating Expenses Vs. Cost-to-Income



Profit Before Taxes

Profit before taxes on financial services and income taxes increased by 14.6% to Rs. 510.96 Mn, over Rs. 445.91 Mn reported in FY 2024, underpinned by a broad-based improvement across all core revenue streams. This growth was primarily driven by the expansion in NII, accounting for 35.8% of the total increase compared to FY 2024. Furthermore, the reduction in Impairment Charges contributed 141.4% to the pre-tax performance. However, the PBT was eroded by Rs. 29.7Mn, resulting from the investment in the Subsidiary.

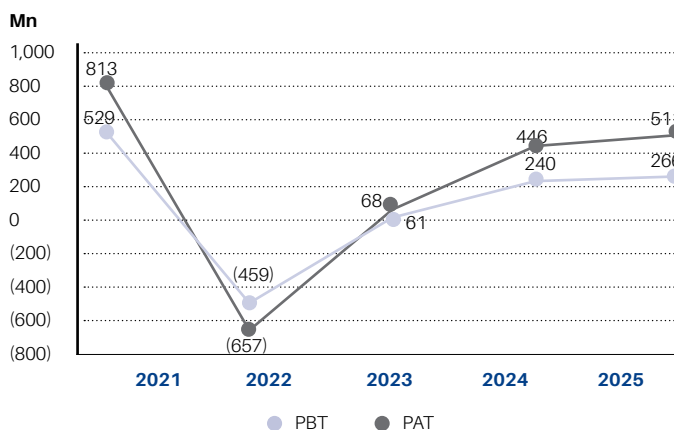
Taxes on Financial Services and Income Taxes

The Company's total tax expense was FY 2025 of Rs. 650.9 Mn., compared to the tax expense for FY 2024 of Rs. 598.2 Mn. The effective tax rate (including taxes on financial services) for the year was 71.03% (2024: 71.33%). The rate remains elevated due to the impact of taxes on financial services, which are largely based on value addition, in addition to corporate income tax. The marginal decrease compared to the previous year is attributable to improved profitability, with profit growth slightly outpacing the increase in total tax expenses.

Net Profit

Despite a significantly higher tax incidence, Net Profit for FY 2025 recorded a robust 10.4% increase to Rs. 265.5 Mn compared to Rs. 240.4 Mn. reported in FY 2024, primarily driven by the significant growth in Profit Before Tax.

PBT & PAT



Review of Financial Position

During the year 2025, the Company's total assets surpassed the Rs. 50 Bn., a milestone, reinforcing its position as a stable financial service provider and a valued subsidiary of the No. 1 Bank in Sri Lanka, Bank of Ceylon. With this milestone MBSL moves into the category of Companies with an asset base of over Rs. 50 Bn. building on the trust the customers have placed in MBSL.

Total Assets

Total assets grew by 35.3% to Rs. 54.4 Bn. in FY 2025 compared to Rs. 40.2 Bn. in FY 2024, primarily driven by a robust 52.6% growth in net loans and advances amounting to Rs. 39.6 Bn. This significant credit expansion resulted in the share of loans and advances within the asset mix increasing to 52.6%, up from 36.1% in FY 2024. This credit growth was funded by the expansion in the deposit base by 22.5% and the expansion in the borrowings by 88.3% for FY 2025.

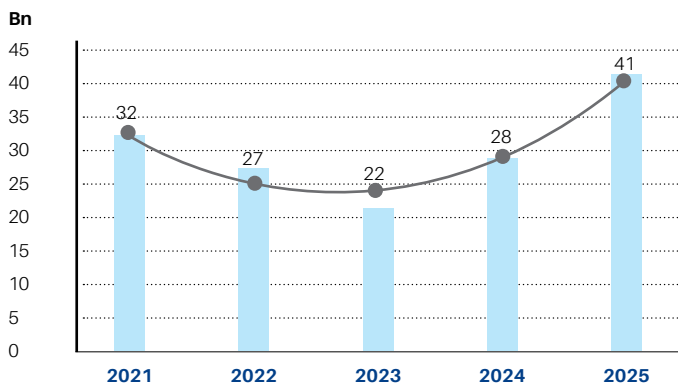
Loans and Advances

Gross loans and advances grew by 45.7% reaching Rs. 41.3 Bn. by end FY 2025. Net loans and advances followed a similar trajectory, growing by 52.6% to close the year at Rs. 39.6 Bn. From a product perspective, growth was particularly concentrated in Term Loans (108%), Pawning (67%), and Leases (11%). However, Term Loans remained the primary driver of credit expansion, accounting for 40% of the total loan base and a growth of 108% in FY 2025 over FY 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

The sectoral composition of the gross loan book for FY 2025, was highest in the transport sector with a 29% exposure, followed by the Financial Services sector with a 15.5% exposure. However, the expansion in the loan book compared to the FY 2024 was mainly driven by the services sector with a growth of 351% over FY 2024, followed by Agriculture sector with a growth of 18% and the Transport sector with a growth of 107% over FY 2024. Trade and Consumption sector recorded a negative growth of 33% and 30% respectively during the FY 2025 over FY 2024. Further details on the product and sector-wise distribution of loans to customers are available on pages from 182 to 189.

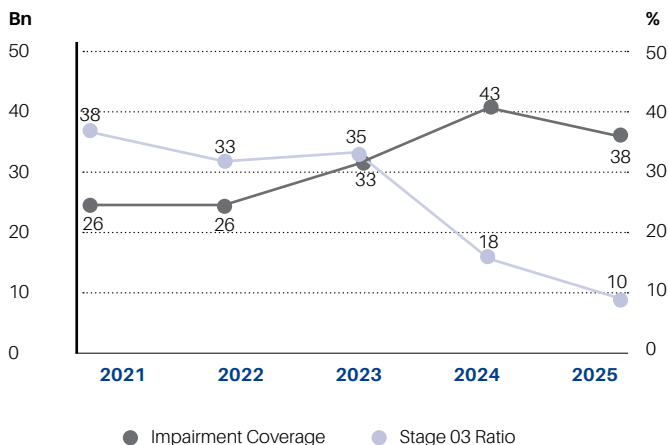
Loans & Receivables



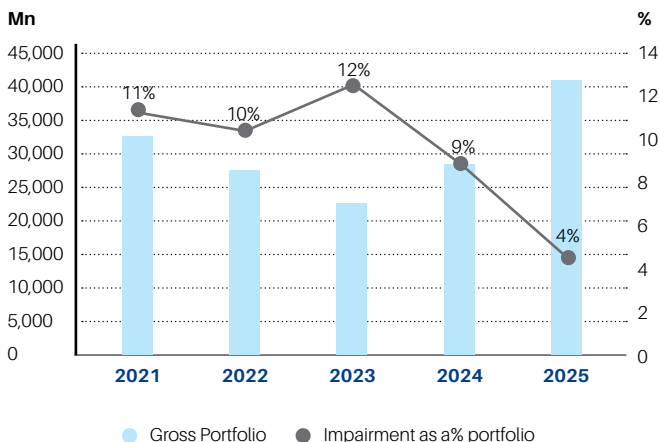
Credit Quality

During the year, MBSL recorded a marked improvement in asset quality metrics. Despite a 45.7% expansion in the gross loan book, the Stage 3 loan balance declined sharply to Rs. 3.9 Bn in FY 2025 from Rs. 5.1 Bn in FY 2024. Accordingly the stage 3 ratio improved to 9.6% in FY 2025 from 17.8% in FY 2024.

Assets Quality

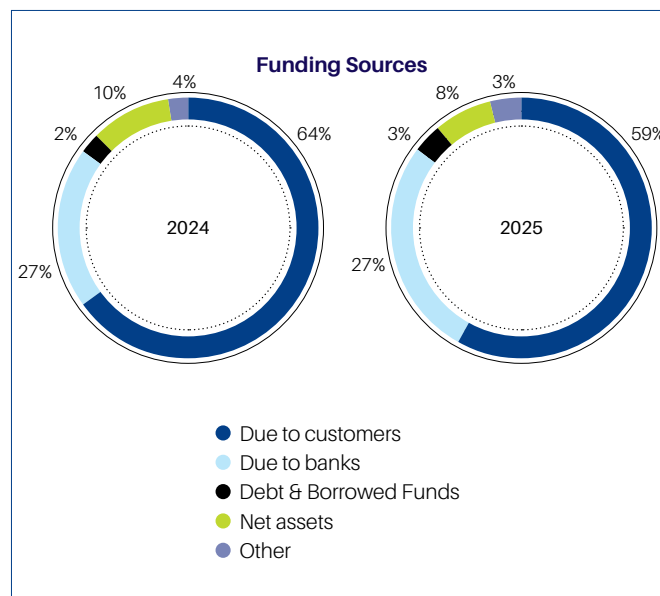


Impairment as a % Portfolio



Deposits & Borrowings

The Company's funding structure continued to be primarily driven by customer deposits which accounted for 58% of the total capital structure. Reflecting the MBSLs deposit franchise, total deposits grew by 22.5% in FY 2025 to Rs. 31.8 Bn. from Rs. 25.9 Bn. in FY 2024. This performance fuelled the expansion of the Company's market share within the domestic finance sector. The borrowings increased by 88.3% channeling funds to grow the loan book to record levels in the recent history of the Company. The high proportion of low-cost deposits directly supported the improvement in the cost of funds and the NIM for the FY 2025.



Capital

The Company continued to maintain capital buffers exceeding the minimum statutory requirement for the Core Capital and Total Capital for the FY 2025. The Capital Adequacy Ratio (CAR) for Tier 1 and Total capital was 9% and 13.24%, respectively, as of end-FY 2025, and they recorded a year-on-year decline primarily due to rapid credit expansion.

Liquidity

Despite the accelerated credit expansion, the Company maintained a robust liquidity position and a stable funding profile. Statutory Liquid Asset Ratio (LAR) remained above the regulatory minimum of 10%, concluding the year at 12.3%.

Future Strategy

The Company's future strategy will prioritise organic growth, with a strong emphasis on expanding its loan portfolio. This will be achieved by reinforcing its core business operations, deepening its presence within existing markets, and capitalising on opportunities arising from the resumption of vehicle imports. The expected growth is projected to support increased revenue generation and improved net profitability, thereby contributing to a more sustainable and resilient business model.

Product enhancement will remain a key strategic priority for 2026, with continued efforts to develop new offerings that align with emerging market trends and evolving customer expectations. Existing processes will be continuously reviewed and refined to improve operational efficiency and deliver a superior customer experience. While specific product launches for 2026 are in the final stages of planning, initiatives are underway to strategically relocate branches to enhance customer accessibility and strengthen market presence. In parallel, cost optimisation will be a central focus area. Overall, improving operational efficiency will remain a core objective for the FY 2026.

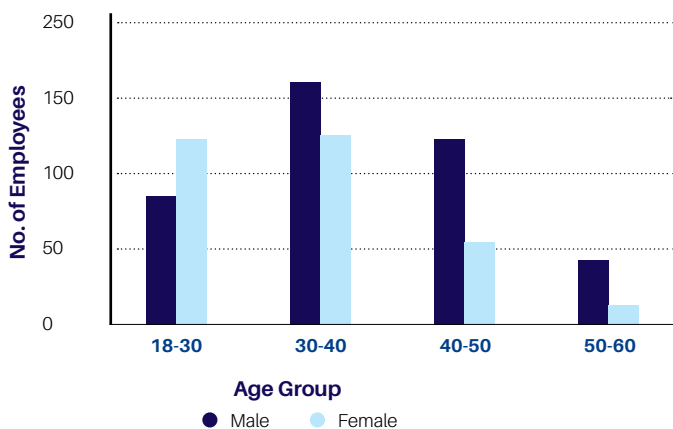
HUMAN CAPITAL REVIEW

MBSL’s employees are an integral part of our value creation, as they drive business growth and ensure the sustainable growth of the Company. Their continued commitment to excellence, dedication and hard work over the years has enabled MBSL to successfully navigate the constantly evolving business landscape, catering to the needs and aspirations of the modern clientele. Our knowledgeable and skilled workforce has enabled us to build a strong customer base, reinforcing trust and long-term relationships.

Building on this strong foundation, MBSL remains committed to nurturing talent through continuous learning, leadership development, and employee engagement initiatives. We place strong emphasis on creating a supportive and inclusive workplace that promotes innovation, collaboration, and accountability. By investing in the professional growth and well-being of our people, we enhance organisational capability, strengthen succession planning, and ensure that our workforce remains resilient and future-ready in an increasingly competitive environment.

At present, MBSL has a total workforce of 900, of which 509 are male and 391 are female employees. Of these, 895 are permanent, and 5 are contractual employees. A majority of our employees have served the Company for over 30 years, affirming our focus on employee centric culture that supports their personal and professional progression.

Employee Breakdown by Gender and Age



Management Approach to Human Capital

Our human resource strategy is guided by several human resource policies that support the Company’s strategic priorities and foster a fair, ethical, safe and inclusive workplace. Therefore, MBSL’s human resource framework focuses on several key areas, which include talent attraction and retention, equal opportunity and non-discrimination, continuous learning and development, transparent performance management, statutory and regulatory compliance, and employee well-being and engagement.

Operating within a unionised environment, we have also signed a collective agreement, ensuring we remain in line with industry regulations.

Commitment to Diversity and Equal Opportunity

We remain firmly committed to fostering a workplace grounded in diversity, equity, and inclusion. We strongly believe a diverse and equal opportunity environment will create a culture of mutual respect and innovation where individuals feel valued and empowered to contribute their best.

To this end, the Company upholds a strict zero tolerance approach to discrimination and ensures that all our HR policies related to recruitment, development, promotions, and rewards are completely merit-based. This has been instrumental in promoting fairness and talent recognition, driving a culture of high performance across all levels of the organisation. Key initiatives in this regard include establishing fair hiring practices, creating anti-harassment awareness at the workplace, providing improved accessibility, and equal access to training and career opportunities.

Our other staff policies, including Attendance and Leave Management, Grievance Handling, Code of Conduct and Whistleblower Policy, Disciplinary Policy, and Data Protection and Confidentiality, also align with industry standards and best practices

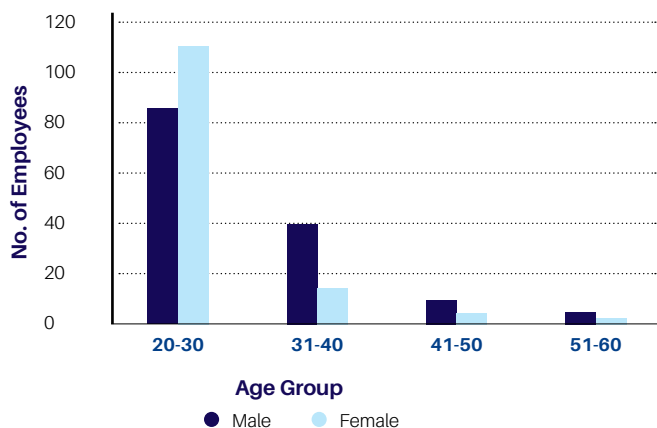
Employee Recruitment and Retention

We have established a well-structured recruitment process that comprises several stages: manpower planning, vacancy advertisement and sourcing, screening and interviews, assessments where relevant, reference checks, and appointment, followed by a structured onboarding programme. Hence, once the vacancies are identified, they are advertised in local job portals while giving the internal employees the first opportunity to apply for these jobs. Afterwards, the shortlisted candidates go through a rigorous screening and interview process, including reference checks and further assessment where necessary, prior to finalising the selection.

We also absorb school leavers and university graduates into the organisation, providing them with valuable early-career opportunities. Our Management Trainee Programme, launched in March, is designed to develop high-potential talent and build future leadership capabilities. These initiatives are supported by a structured onboarding policy that ensures new recruits are effectively integrated into the Company and equipped for success from the outset.

MBSL maintained a labour turnover ratio of 22.03% during the period, which was in line with the industry. However, the Company recorded the resignation of 231 employees in 2025. In this backdrop, we continue to pursue an aggressive retention drive through various measures. These include conducting employee engagement events, maintenance of open communication channels, industry par remuneration and benefits, career development opportunities, succession planning, employee rewards and recognition, learning and development interventions, as well as offering improved employee support services such as loan schemes.

2025 New Recruits Breakdown by Gender and Age



Training and Development

Training and development opportunities allow employees to refine their existing skills while gaining new competencies in contributing to the achievement of organisational goals. Additionally, they foster personal growth, enhance engagement, and prepare employees for future roles and responsibilities within the Company.

Therefore, MBSL continues to offer a series of training opportunities for its employees in line with its annual training plan. During the year, key training interventions focused on compliance and regulatory, credit risk management and finance, digital transformation and IT skills development, customer service excellence, leadership development for middle and senior management, as well as induction programmes and role-specific training for new recruits.

Performance Evaluation

Performance evaluation serves as a pivotal tool in identifying individual capacities and aligning them with organisational goals for sustainable growth of the Company. This also allows recognition of high-performing employees, offering them better opportunities for growth and improvement. By establishing a fair and transparent evaluation framework, we strive to promote accountability and career development while driving high performance culture across the workforce.

At MBSL, performance evaluation is conducted annually through a KPI based appraisal system. The evaluation outcomes solely determine the increments, promotions, succession planning, and individual development plans.

Employee Motivation and Satisfaction

Employee satisfaction and motivation have a direct impact on their productivity, engagement and overall organisational performance. When employees feel valued and motivated, they are committed to delivering higher-quality work and contributing positively to a thriving workplace culture. Therefore, at MBSL, we focused on the following areas to sustain employee motivation and satisfaction.

Staff Benefits

MBSL offers a competitive benefits portfolio comprising contributions, medical reimbursements, concessionary loan facilities, and professional membership payments.

Competitive Salaries

Currently, we are in the process of conducting a salary survey to ensure that salaries are in line with the industry standards. This initiative has assisted us in remaining competitive in attracting and retaining top talent while maintaining fairness and equity across the workforce.

Career Growth Opportunities

When employees have a clear path for advancement, they are motivated to perform at their highest level. Hence, we provide career advancement avenues for all our employees, and these include internal promotions, job rotations, structured development pathways for high-performing employees, and a defined talent pool supporting succession planning.

Leadership Training

The Company is committed to leadership development, providing programmes and mentorship opportunities to cultivate the skills, vision, and decision-making capabilities of its employees to drive organisational success. Therefore, during the year, we conducted a leadership development programme for middle management and a strategic leadership programme for senior managers, in addition to mentoring/coaching initiatives.

Awards and Recognition

Our rewards and recognition framework is designed to acknowledge and celebrate employees' contributions, motivating high performance and reinforcing a culture of excellence. Therefore, during the year, we presented annual performance awards to long-serving employees in recognition of their dedication and excellence.

Way Forward

As we move forward, we remain committed to driving the digital transformation of the Company, to increase the operational efficiencies and enhance the overall customer experience. In line with this vision, our HR roadmap focuses on driving digitalisation through HRIS enhancements, self-service platforms, and e-learning initiatives, alongside leveraging data-driven workforce analytics and redesigning processes with automation to boost productivity.

To support this transformation, we will prioritise upskilling employees in technology and digital finance, while fostering a positive and engaging workplace culture through continuous engagement, and refining KPI structures to encourage and sustain high performance across the organisation.

MARKETING REVIEW

Driven by the improved macroeconomic environment during the year, the market landscape also showed continued improvement. In response, MBSL strengthened its market presence by implementing structured and strategically aligned marketing initiatives aimed at enhancing brand positioning, improving stakeholder engagement, and supporting sustainable business growth.

MBSL continued to implement integrated marketing campaigns throughout the year, focusing on key product segments that include Fixed Deposits, Gold Loans, Savings products, and SME financing solutions. These initiatives were executed through a balanced mix of digital platforms, social media engagement, targeted advertising, branch-level promotions, and below-the-line (BTL) activations, ensuring strong and consistent brand visibility across diverse customer segments.



Furthermore, during the year, we focused on reinforcing MBSL's corporate identity as the sole finance company subsidiary of the Bank of Ceylon, emphasising our institutional strength, sound governance standards, and financial stability. At the same time, we enhanced our presence across social media platforms and the corporate website, utilising digital outreach strategies, thereby creating greater opportunities for customer engagement, promoting brand awareness and lead generation.

The Marketing Department also facilitated recruitment campaigns aimed at attracting qualified professionals across key operational and sales functions, thereby contributing to organisational growth and service excellence.

Moreover, MBSL's Corporate Social Responsibility (CSR) initiatives were communicated to the relevant stakeholders, further strengthening the Company's commitment to environmental sustainability, education, and community development. During the year, we carried out two CSR projects; first at Thiththawelgolla School in Dambulla in October 2025, supporting the improvement of school facilities and second, an environmental cleaning initiative titled "Haritha Sathkaraya" aimed at promoting environmental conscious behaviour amongst the community. These initiatives have been instrumental in enhancing our brand image and visibility while contributing to broader community development.

Overall, the marketing initiatives carried out during FY 2025 significantly contributed to enhancing the brand image, further reinforcing market presence and deepening customer engagement, in line with MBSL's long-term strategic objectives.

Way Forward

As we move ahead, MBSL will gradually shift its focus towards above the line (ATL) marketing activities, capitalising on the strength of BOC to attract a wider clientele, driving the Company's long-term growth. However, below-the-line (BTL) activities will also remain an integral part of our marketing initiatives. By implementing cost-effective and targeted campaigns leveraging digital platforms such as social media, online advertising, and search engine marketing, we believe we will be able to improve our brand visibility further, strengthening our market presence and building deeper connections with our customers.

In March 2026, we proudly celebrated our 44th anniversary, marking over four decades of growth and excellence. To commemorate this milestone, we launched an enhanced campaign aimed at strengthening our brand presence and showcasing our diverse range of products. While this presented an exciting opportunity, we also encountered a few challenges, including retaining our talented workforce and maintaining the right strategic focus to ensure the campaign delivers maximum impact. Through careful planning and targeted initiatives, we aim to overcome these challenges and ensure the success of this anniversary campaign.

Furthermore, we will continue our strategic focus on branch improvements in terms of outlook and accessibility to attract a larger customer base while building the capacity of our employees, specifically the customer-facing staff, to improve service delivery and better understand evolving customer needs.



In this way, MBSL will continue to concentrate on strengthening its market presence and driving sustainable long-term growth, driven by its commitment to delivering a seamless, exceptional service experience that meets the evolving needs of its customers, supported by advanced technology and streamlined, intuitive processes.

CSR Projects



Haritha Sathkaraya - Zero-Waste Coastal Cleaning Initiative

(MBSL) successfully conducted the “Haritha Sathkaraya” Zero-Waste Environmental Cleaning Initiative on 31st August 2025 at Crow Island Beach, Mattakkuliya.

This initiative was undertaken to promote environmental responsibility, reduce pollution, and support the protection of Sri Lanka’s coastal ecosystems. The programme emphasised the systematic collection, segregation, and responsible disposal of waste, in line with the MBSL’s commitment to sustainability and environmentally responsible practices.

The MBSL extends its sincere appreciation to SSP/Director Environment Mr. Manoj Perera, CI Gamini Nissanka, CI Hettiarachchi, CI Abesinghe, and their respective teams for their invaluable support. Gratitude is also extended to the Marine Environment Protection Authority (MEPA) and the Mattakkuliya Municipal Council for their cooperation and guidance.

“Haritha Sathkaraya” reflects Merchant Bank’s continued dedication to corporate social responsibility and environmental stewardship, contributing towards a cleaner and greener Sri Lanka for future generations.

CSR Initiative - Thiththawelgolla School, Dambulla



Corporate Social Responsibility (CSR) Initiatives

(MBSL) successfully completed a Corporate Social Responsibility (CSR) initiative at Thiththawelgolla School, Dambulla, in October 2025, reaffirming the MBSL’s commitment to education and community development.

The project focused on enhancing the school’s facilities and improving the overall learning environment, thereby contributing positively to student well-being and educational outcomes. The initiative was carried out through the collective efforts of MBSL staff, with the support of the Dambulla Municipal Council.

The MBSL extends its sincere appreciation to its valued customers for their generous contributions and sponsorships, as well as to the school’s staff and parents for their cooperation and support.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

This initiative reflects MBSL's continued dedication to empowering communities and promoting sustainable development through impactful CSR programmes.

Marketing Initiatives

Throughout the year, the MBSL executed integrated marketing campaigns focused on key product segments, including Fixed Deposits, Gold Loans, Savings products, and SME financing solutions. These campaigns were delivered through a well-balanced mix of digital marketing platforms, social media engagement, targeted advertising, branch-level promotional activities, and below-the-line (BTL) activations, ensuring consistent and effective brand visibility across diverse customer segments.

Particular emphasis was placed on reinforcing the MBSL's corporate identity as the sole finance company subsidiary of the Bank of Ceylon, highlighting institutional strength, sound governance standards, and financial stability. Digital outreach strategies were further strengthened through an enhanced presence on social media platforms and the corporate website, with a focus on improving customer interaction, brand awareness, and lead generation.

The Marketing Department also extended its support to human capital development by facilitating recruitment related campaigns to attract qualified professionals across key operational and sales functions, thereby supporting organizational growth and service excellence.

In addition, the MBSL's Corporate Social Responsibility (CSR) initiatives were effectively communicated to stakeholders, reinforcing MBSL's commitment to environmental sustainability, education, and community development.

Overall, the marketing initiatives undertaken during FY 2025 contributed significantly to improved brand recognition, enhanced market presence, and strengthened customer engagement, in alignment with the MBSL's long-term strategic objectives.

During the financial year 2025, the Marketing Department of Merchant Bank of Sri Lanka & Finance PLC (MBSL) continued to implement structured and strategically aligned marketing initiatives to strengthen brand positioning, enhance stakeholder engagement, and support sustainable business growth.

The Bank executed integrated marketing campaigns focusing on key product segments, including Fixed Deposits, Gold Loans, Savings products, and SME financing solutions. These initiatives were delivered through a combination of digital marketing platforms, social media engagement, targeted advertising, branch-level promotional activities, and below-the-line (BTL) activations, ensuring consistent brand visibility across diverse customer segments.

Particular emphasis was placed on reinforcing the Bank's corporate identity as the sole finance company subsidiary of Bank of Ceylon, highlighting institutional

strength, governance standards, and financial stability. Digital outreach strategies were further strengthened through enhanced presence on social media platforms and the corporate website to improve customer interaction and lead generation.

The Marketing Department also supported human capital development by facilitating recruitment campaigns to attract qualified professionals across operational and sales functions.

In addition, the Bank's Corporate Social Responsibility (CSR) initiatives were effectively communicated to stakeholders, reinforcing MBSL's commitment to environmental stewardship, education, and community development.

Collectively, the marketing initiatives undertaken during FY 2025 contributed to improved brand recognition, enhanced market presence, and strengthened customer engagement in alignment with the Bank's long-term strategic objectives.

IT AND DIGITAL TRANSFORMATION REVIEW

Information Technology and Digital Transformation

Information Technology (IT) continues to play a vital role in supporting operational efficiency, strengthening governance, and enhancing customer experience at Merchant Bank of Sri Lanka & Finance PLC (MBSL). As the financial services industry continues to evolve in an increasingly digital landscape, the Company remains committed to investing in modern technology infrastructure and innovative solutions to support business growth and service excellence.

The IT Department works closely with business units to ensure that technology initiatives are aligned with the Company's strategic priorities while supporting innovation, operational resilience, and regulatory compliance. Through continuous improvements in systems and infrastructure, MBSL is strengthening its digital capabilities while empowering employees with modern tools that enhance productivity and operational effectiveness.

Core Banking Transformation

A major milestone in MBSL's digital transformation journey was the successful implementation of a modern Core Banking System. Completed within a period of nine months, the project involved the deployment of 17 operational modules designed to enhance operational efficiency and support the Company's future digital banking initiatives.



The Core Banking System which is fully operational now, will significantly enhance MBSL's technology capabilities by enabling greater automation of internal processes, strengthening service delivery channels, expanding customer reach, and improving overall service quality and cost efficiency.

To support the new platform, the Company also undertook several infrastructure upgrades including enhancements to network bandwidth, improvements to the head office backbone infrastructure, modernisation of switching architecture, and strengthening of perimeter-level security systems. These improvements ensure the reliability, scalability, and security of the technology environment while supporting future digital initiatives.

The new Core Banking platform also creates opportunities to integrate emerging technologies such as Artificial Intelligence (AI) and Robotic Process Automation (RPA), enabling further optimisation of operational processes. In addition, the Company is exploring the implementation of advanced analytics and Business Intelligence (BI) tools to strengthen data-driven decision-making across the organisation.

Strengthening Cybersecurity

With the expansion of digital services, maintaining robust information security remains a key priority for MBSL. The Company continues to strengthen its cybersecurity framework to safeguard customer data, protect critical systems, and ensure compliance with regulatory requirements.

During the year, MBSL enhanced its information security governance through the appointment of a dedicated Information Security Officer responsible for overseeing cybersecurity initiatives and compliance. The Company also implemented the Microsoft O365 email platform to improve secure communication and collaboration across the organisation.

Additional security enhancements included advanced threat detection capabilities, strengthened endpoint protection mechanisms, and data loss prevention solutions designed to mitigate evolving cyber threats.

Regular security assessments and employee awareness programmes continue to be conducted to reinforce a strong cybersecurity culture across the organisation.

Future Outlook

Looking ahead, MBSL will continue to leverage technology to drive innovation and enhance service delivery. The new Core Banking System provides a strong foundation for the next phase of the Company's digital transformation journey.

Future initiatives will focus on expanding digital banking channels, including mobile and internet banking platforms, enabling customers to access financial services with greater convenience and flexibility. The Company also plans to progressively introduce end-to-end digital capabilities that will allow customers to complete key banking processes through fully digital channels.

MBSL will continue to explore emerging technologies such as Artificial Intelligence, Robotic Process Automation, and advanced analytics to improve operational efficiency and strengthen customer insights. At the same time, the Company will further enhance its cybersecurity framework and technology infrastructure to support sustainable growth and maintain the highest standards of security and governance.

STAKEHOLDER REVIEW

Stakeholder engagement enables the Company to make informed decisions about its activities to drive sustainable long-term growth, enhancing the trust and credibility of the organization. Therefore, we consider our stakeholder relationships as a vital component of value creation and continue to strengthen them through continued engagement. Through proactive engagement, MBSL ensures that the Company's strategies and actions are aligned with the stakeholders' interests. Over the years, the Company has nurtured transparent, constructive communication with its stakeholders through routine interaction, thereby understanding their views and priorities and subsequently incorporating them into our organizational goals and action plans.

The robust relationships we have cultivated with each of our key stakeholder groups are a testament to our commitment to understanding their evolving requirements and ensuring that these needs are met through our performance.

Our Key Stakeholder Groups

Customers	Customers are central to our business model. We are committed to delivering transparent, fair, and responsible financial services while enhancing customer experience, protecting customer interests, and ensuring compliance with financial consumer protection regulations. Continuous engagement helps us improve service quality, trust, and long-term relationships.
Bank of Ceylon	As the ultimate parent and principal shareholder, Bank of Ceylon provides strategic oversight, governance guidance, and institutional stability to MBSL. We maintain close alignment with BOC's policies, ethical standards, and long-term objectives to ensure sound governance, regulatory compliance, and sustainable value creation.
Other Shareholders and Investors	Our valued shareholders and investors' trust and confidence drive our sustainable growth. We remain dedicated to upholding the highest standards of transparency and accountability with regular, timely, and comprehensive disclosures to sustain our relations.
Employees	Our employees are the backbone of our operations, and we strive to create value for them through supporting their professional and personal growth.
Regulators and Government Authorities	The regulatory and government authorities play a pivotal role in preserving the integrity and solidity of the financial sector. We maintain close relations with them through regulatory compliance and promoting industry best practices.
Suppliers and Business Partners	Our suppliers and business partners provide us with the necessary input to maintain consistent quality and performance. We continually nurture these relationships through collaboration and partnership development, sustaining their confidence in us.
Society/ Communities	Our commitment to Corporate Social Responsibility (CSR) stems from our broader responsibility towards society. Through various initiatives, we strive to create meaningful, long-term social and environmental values for the communities we serve.
Media and the General Public	We acknowledge the vital role of the media and the public in shaping the Company's reputation and narrative. We are committed to fostering open, transparent, and responsible communication, ensuring accuracy, integrity, and ongoing trust in our brand.

Our Approach to Stakeholder Engagement

In our commitment to accommodate the overall well-being, fulfilment, and sustained interests of all parties linked to our organisation, we pursue stakeholder engagement, actively seeking the views and opinions from interested parties and unceasingly improving our financial products and services to align with evolving market requirements. By maintaining transparent communication and responsive service, we aim to consistently provide a superior customer experience.

Customers

Our approach to customer engagement is anchored in service excellence and customer support. To this end, MBSL has set up a dedicated Customer Complaint Handling Division, underpinned by a comprehensive policy framework that is available publicly on our corporate website. This has enabled us to ensure that all customer inquiries and complaints are addressed fairly and in a timely manner. We further engage with our customers through social media and emails.

From a regulatory perspective, we comply with all the necessary disclosures on our website and all other media are in line with the Financial Consumer Protection Regulation and the Colombo Stock Exchange (CSE) regulatory requirements, and other relevant platforms, emphasising full transparency

of our actions. We have also aligned our actions with the new Customer Protection Regulatory Framework and Personal Data Protection Act. Moreover, we have performed a comprehensive gap analysis to evaluate our current regulatory practices against the new requirements. As a result, we are implementing ongoing enhancements to ensure full compliance with regulatory expectations while further reinforcing our dedication to customer protection and service excellence. The Company also ensures fair treatment to all stakeholders, including the depositors, in line with the Customer Protection Framework and many internal policies and procedures, such as the Whistle-Blowing policy, Anti-Bribery and Corruption policies and IT policies of the Company. By far, we have not faced major challenges in the regulatory aspect.

Shareholders and Investors

Our approach to shareholder and investor relations is fortified by a commitment to transparency, accountability, and timely communication. Thus, we ensure that our shareholders and investors are kept informed regularly through the dissemination of financial results, quarterly publications, annual general meetings, annual report and detailed briefings. This has enabled us to reinforce the trust and confidence of this vital stakeholder group, aligning their interests with the Company's strategic roadmap.

Employees

Employees are the backbone of our operations, and hence, MBSL remain committed to nurturing a conducive work environment that supports their professional and personal growth. While we regularly engage with our employees and branch staff through email and direct communication, we also implement various initiatives to support their progression. These include training and development, leadership training opportunities, work-life balance initiatives, employee recognition and benefit schemes, and promoting a culture of high performance across the organization.

Furthermore, by cultivating a conducive work environment that encourages learning and knowledge sharing, we have fostered a culture of operational excellence, continuous innovation, and strong collaboration that is required to drive the Company's strategic goals.

As a unionised organization, MBSL addresses collective employee and union related matters through structured dialogue and engagement, with the direct involvement of Senior Management, including the Chief Executive Officer, and the Human Resources Division, ensuring constructive resolution and compliance with applicable labour and governance standards.

Government and the Regulators

MBSL recognises the Government and regulatory authorities, including the Central Bank of Sri Lanka (CBSL), as key stakeholders and places strong emphasis on transparent, timely, and constructive engagement. The Company engages with regulators on an ongoing basis through statutory reporting, supervisory communications, regulatory examinations, and compliance submissions, while ensuring adherence to all applicable laws, regulations, directions, and guidelines.

The Company's governance, compliance, and control frameworks are continuously reviewed and strengthened, taking into account regulatory observations, audit outcomes, and supervisory expectations. Trends observed through audit reports, regulatory correspondence, and customer complaint statistics indicate a sustained improvement in regulatory compliance and governance practices over time.

MBSL remains committed to maintaining open and cooperative relationships with regulators, addressing identified gaps in a timely manner, and adopting best practices to further enhance regulatory compliance, accountability, and institutional resilience, thereby fostering long term stakeholder confidence.

Suppliers and Business Partners

We foster strong relationships with our suppliers and business partners through mutual respect, fairness, and strategic partnership. This approach has enabled us to enhance operational efficiency, manage risks effectively, and create sustainable value for all stakeholders.

At present, we maintain a registered supplier base of 350 with whom we have cultivated long-term relationships. These suppliers are selected through a rigorous and transparent bidding process that ensures fair, impartial, and merit-based selection.

Community

We understand our responsibility towards the society in which we live and therefore remain committed to supporting the sustainable development of communities. In this regard, we continue to implement Corporate Social Responsibility (CSR) initiatives at the branch and regional levels, which are tailored to the local community's needs. Our Marketing Division supports this endeavour by carefully assessing the community needs and proposing relevant interventions in line with the Company's strategic goals and resource availability. During the financial year, we conducted 02 number of CSR activities, both at the branch and regional levels.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Key Stakeholder Group	Mode of Engagement	Stakeholder Concerns	Our Response
Bank of Ceylon (Parent Company)	<ul style="list-style-type: none"> Board and management meetings Regular reporting Official correspondence and email 	<ul style="list-style-type: none"> Strategic alignment Risk management Compliance Financial performance and sustainability 	<ul style="list-style-type: none"> Aligning corporate strategy with long term institutional objectives Strengthening enterprise risk management and internal controls Ensuring compliance with applicable regulatory requirements Maintaining sustainable financial performance and growth
Customers	<ul style="list-style-type: none"> Branch Level interaction Periodic customer surveys Suggestion boxes Marketing campaigns Complaint mechanism Corporate Website Social media platform 	<ul style="list-style-type: none"> Safety of deposits Fair returns for deposits Credit at a low cost Convenience Speedy action for grievances 	<ul style="list-style-type: none"> Customised products Concessionary credit facilities Branch network and ATMs Effective grievance /complaint handling process
Employees and Unions	<ul style="list-style-type: none"> Induction and training programmes Staff meetings Monthly regional meetings Annual performance appraisals Discussions with the Union representatives Work-life balance initiatives 	<ul style="list-style-type: none"> Good remuneration and benefits Career growth opportunities A safe workplace Satisfaction and motivation at workplace Solutions for workplace issues 	<ul style="list-style-type: none"> Industry par remuneration and rewards Performance-based incentives Continuous learning and development opportunities Grievance handling mechanism Employee engagement mechanisms
Investors and Shareholders	<ul style="list-style-type: none"> Annual general meeting Annual report Quarterly earnings update Press releases Announcements to the Colombo Stock Exchange (CSE) 	<ul style="list-style-type: none"> Shareholder returns Financial performance and position Macroeconomic developments and their impact on strategy and business continuity Transparent reporting and disclosure Good governance 	<ul style="list-style-type: none"> Formulation and execution of a well planned growth strategy Maintaining effective governance, internal controls, and risk management practices Ensuring timely, accurate, and transparent disclosures in compliance with CSE and regulatory requirements Focusing on sustainable long term value creation
Regulators <i>[Central Bank of Sri Lanka, Security Exchange Commission - Colombo Stock Exchange, Company Registrar, Inland Revenue Department & CRIB]</i>	<ul style="list-style-type: none"> Statutory submissions and regulatory reporting Regulatory correspondence and supervisory engagements On-site and off-site regulatory examinations 	<ul style="list-style-type: none"> Compliance with applicable laws, regulations, and directives Financial stability and prudential compliance Transparency, accountability, and fair business practices 	<ul style="list-style-type: none"> Maintaining strong internal controls, compliance, and governance frameworks Ongoing monitoring of regulatory compliance and timely implementation of regulatory requirements Transparent engagement and prompt regulatory reporting
Suppliers/ Business Partners	<ul style="list-style-type: none"> Regular communications Meetings 	<ul style="list-style-type: none"> Timely payments Business continuity and repeat engagements Fair and unbiased supplier selection 	<ul style="list-style-type: none"> Ensuring timely settlement of dues in accordance with agreed terms Maintaining transparent, fair, and objective supplier selection processes Fostering relationships through ethical and professional engagement
Communities	<ul style="list-style-type: none"> CSR activities Branch and regional level engagement 	<ul style="list-style-type: none"> Community infrastructure development Livelihoods generation 	<ul style="list-style-type: none"> Aligning CSR initiatives with the corporate strategy and needs of the community

OPERATING ENVIRONMENT

Global Economy

The global economy demonstrated a moderate performance in 2025, albeit with an uneven pace across sectors. With a marked increase in performance of emerging markets, this growth has remained robust, demonstrating strength to withstand shocks and external disruptions. According to the IMF's World Economic Outlook, global growth is projected to slow from 3.3 percent in 2024 to 3.2 percent in 2025 and 3.1 percent in 2026, with advanced economies growing around 1.5 percent and emerging market and developing economies expanding at just above 4 percent. Inflation is projected to continue to decline globally, though with variation across countries: above target in the United States, with risks tilted to the upside, and subdued elsewhere.

Strategic investments in technology have played a key role in driving efficiency and performance improvements during the period. However, challenges such as mixed trade policies, tightening financial conditions from higher debt levels, and broader economic uncertainties continue to weigh on the global economy. Despite these pressures, the global economy has shown remarkable resilience to long-term shocks and climate-related challenges, highlighting its capacity for adaptation and sustained growth.

Local Economy

In the first nine months of 2025, Sri Lanka recorded a GDP growth of 5.0%, marking a significant recovery and a

clear turnaround from the 2022 economic crisis under ongoing reform programs. Although growth in the third quarter was temporarily affected by Cyclone Ditwah in November, the positive trajectory persisted, supported by expansion across all key sectors and reflected in improvements in major economic indicators. Liquidity levels remain high, supporting continued economic activity, while the Central Bank of Sri Lanka (CBSL) has successfully met its targets. Although inflation continues to be a concern, the low interest rate environment has encouraged credit growth, further boosting the private sector.

GDP

The Sri Lankan economy, based on the Annual Economic Review 2025 published on 20th April 2026 by CBSL demonstrated strong performance during 2025, expanding at a GDP rate of 5.4% in the third quarter of 2025, the strongest performance since the fourth quarter of 2024 and up from 4.9% in the second quarter of 2025, showcasing a significant turnaround following the recent economic crisis. This growth was driven by the performance of all key sectors, with industry recording an 7.8% growth, services 3.3%, and agriculture 1.4%. On a cumulative basis, the economy recorded a 5.0% growth during the year 2025, indicating a sustained recovery under the ongoing reform program.

Leading economic indicators suggest a continuation of the growth momentum. Credit to the private sector has recorded a notable and broad-based expansion thus far in 2025,

supported by the low-interest-rate environment. This also reflects a recovery in economic activity as well as the realisation of pent-up demand for vehicle imports. This credit momentum is likely to continue in the period ahead.

Although the trade deficit widened due to an increase in imports, the current account surplus was increased with strong inflows from tourism and workers' remittances, with gross official reserves remaining at USD 6.8 Bn. The recent depreciation pressure on the rupee has subsided with the improvement in foreign exchange liquidity.

Nevertheless, this recovery remains incomplete as growth continues to be below the pre-crisis levels with a significant elevation in poverty.

Cyclone Ditwah, which made landfall in November 2025, affected nearly 10% of the 22 Mn population, causing severe damage to crucial infrastructure and the Country's agricultural sector. This could lead to a contraction of the economy in 2026, diverging from the CBSL projection at 4.5%.

Inflation

The headline inflation remained at 2.1% by December 2025. This was mainly driven by a favourable base effect, despite a significant month-on-month price increase in December 2025 caused by Cyclone Ditwah. Food inflation increased marginally up to 3.3% from 3.0% in both November and December, despite the Ditwah Cyclone that made landfall in November 2025

and subsequent floods, which caused significant damage to crops and infrastructure.

Non-food inflation remained steady at 1.8% in December, supported by higher costs in housing and utilities, restaurants and hotels, education, health, and clothing and footwear, despite a decline in transport prices. On a month-on-month basis, inflation eased to 0.6% from 1.2% in December.

Interest Rates

In 2025, CBSL maintained its benchmark interest rate (Overnight Policy Rate) at 7.75% through November to guide inflation toward a 5% target. By December 2025, Based on the Annual Economic Review published by CBSL the AWPLR dropped to 8.87% (monthly) in 2025 from 8.92% (monthly) in 2024.

The overall interest rate structure broadly remained low in 2025, benefiting from the accommodative monetary policy stance of the Central Bank. In terms of market interest rates, both AWCMR and Average Weighted Repo Rate (AWRR) remained broadly aligned with the OPR until mid July 2025, although money market interest rates gradually picked up in the subsequent months due to asymmetry in liquidity conditions. As this deviation was considered tolerable, the Central Bank allowed interest rates to increase and refrained from conducting monetary operations. As at end of 2025, AWCMR and AWRR recorded as 8.04 percent and 8.06 percent, respectively, while there has been some easing of money market rates thereafter.

OPERATING ENVIRONMENT (CONTD.)

Balance of Payment

The external sector recorded a current account deficit in October 2025, though the cumulative current account surplus for the first ten months remained at around US dollars 1.7 Bn. The merchandise trade deficit widened year-on-year in October 2025, mainly due to a notable increase in imports. Vehicle imports (both personal and commercial vehicles) amounted to USD 261 Mn in October 2025, with cumulative vehicle imports recording USD 1,465 Mn during the first ten months of the year.

The terms of trade weakened in October 2025 on a year-on-year basis, as import prices rose faster than export prices. Meanwhile, net inflows from trade in services recorded a slight increase, amounting to approximately US dollars 3.1 Bn during the January-October 2025 period.

Due to improved tourist arrivals during the year, earnings from tourism also increased, with cumulative earnings for the first ten months of the year increasing by 4.9 percent on a year-on-year basis. As for the Workers' remittances, it recorded the highest monthly inflow since December 2020 during the year. On a cumulative basis, remittances during the first ten months of the year recorded a year-on-year growth of 20.1 percent.

Foreign investments in the government securities market continued to record net inflows in October 2025, while the foreign investments in the Colombo Stock Exchange (CSE), including both primary and secondary markets, recorded net outflows during the month.

Exchange Rate

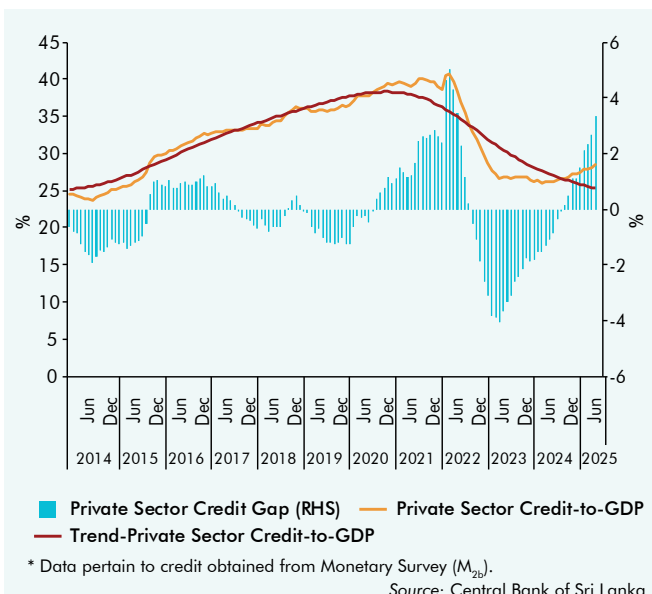
The Sri Lankan rupee experienced a moderate depreciation against the US dollar in 2025. The currency weakened by 3.1 percent in the second half of the year, compared to a 2.5 percent decline in the first half. As a result, the rupee depreciated by 5.6 percent over the year, moving from Rs. 292.58 at end-December 2024 to Rs. 309.99 at end-December 2025, in contrast to the 10.7 percent appreciation recorded in 2024. This depreciation reflected the combined effects of external developments, geopolitical influences, and domestic foreign exchange market conditions, particularly increased import-related demand driven by the notable rise in motor vehicle imports.

Financial Sector Performance

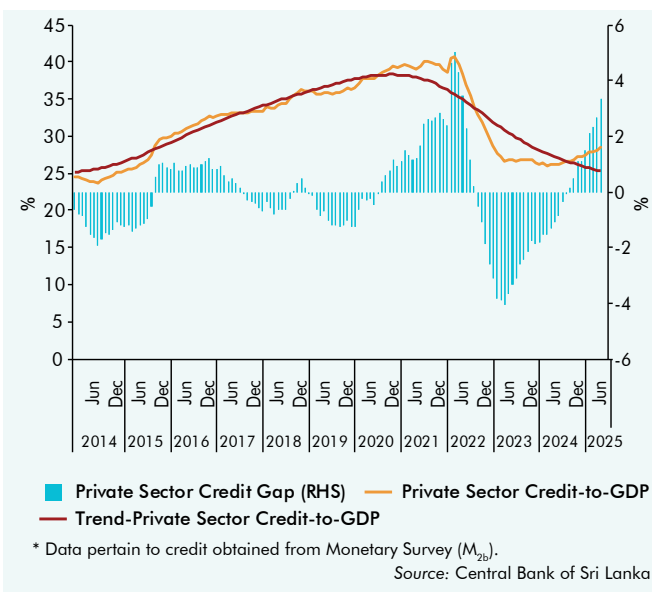
The financial sector demonstrated resilience during 2025, supported by conducive developments in domestic macroeconomic conditions and healthy financial institutions despite increased global uncertainty and lingering effects from the economic crisis experienced in 2022.

Credit growth accelerated owing to the accommodative monetary policy, the expansion in economic activities and stronger business sentiments. Financial institutions showcased robust performance with improved market liquidity. The key performance indicators of the sector also reflected improvements supported by the effective implementation of policy measures by the Central Bank.

Credit Growth of Bank and Finance Companies



Private Sector Credit Cycle*



RISK MANAGEMENT REPORT

Adopting a Strategic and Forward-Looking Mindset

Effective risk management forms a core element of MBSL's business strategy. As operational conditions continue to evolve, maintaining a resilient and responsive Risk Management Framework is essential to safeguarding stakeholder interests. To achieve this, we place strong emphasis on continuously reviewing, strengthening, and adapting our framework to address emerging risks.

Our approach begins with establishing the operational context. This foundational step defines the scope of the assessment and guides the planning of subsequent risk-related activities. Once the context is set, we proceed to identify potential risks across our operations. Each identified risk is then evaluated based on its likelihood of occurrence and the severity of its potential impact.

MBSL adopts a structured methodology to determine the most suitable risk treatment. Mitigation strategies are categorised into four primary options: risk avoidance, risk transfer, risk control, and risk retention. After determining the appropriate category, we recommend the necessary security controls and incorporate them into the formal Risk Management Plan.

All decisions made throughout this process undergo a comprehensive review and are documented and approved by the appropriate management level before implementation. To ensure our controls remain relevant and effective, we routinely update

risk assessments and mitigation measures, aligning them with shifts in the operational environment and regulatory requirements.

Risk Reporting and Governance

At MBSL, risk reporting is a continuous process that ensures key risks, mitigation strategies, and outcomes are effectively communicated to the Board of Directors (BOD) and the Board Integrated Risk Management Committee (BIRMC). This ongoing dialogue promotes transparency and enables informed decision-making at the highest levels of governance. Regular reporting also ensures:

- **Proactive Risk Identification:** Early detection of emerging risks allows for timely intervention and mitigation.
- **Strategic Alignment:** Risk management efforts are closely integrated with MBSL's strategic objectives to enhance resilience.
- **Regulatory Compliance:** A structured reporting framework ensures adherence to industry regulations and internal governance policies.
- **Accountability & Oversight:** By keeping the BOD and BIRMC informed, we reinforce a culture of accountability across all organizational levels.

To facilitate this, MBSL prepares periodic risk assessment reports, updates on mitigation measures, and insights into shifts in the risk profile. These reports are presented during regular governance meetings, ensuring comprehensive oversight and strategic guidance.

Robust Governance for Sustainable Growth

MBSL's ability to manage risks effectively is anchored in a strong governance framework that promotes both coordination and proactive decision-making. This framework assigns clear duties across all layers of the organization—ranging from the Board of Directors (BOD) and the Board Integrated Risk Management Committee (BIRMC) to the Corporate Management Committee (CMC), specialised risk committees, the Risk Management Division, and every employee who contributes to the risk culture of the institution.

Our risk management practices operate through a structured, end-to-end process. It begins with the development of relevant policies, followed by the systematic identification of risks across operational and strategic areas. Once identified, these risks undergo detailed analysis to assess their potential impact and determine the most effective mitigation measures.

The implementation of these strategies is supported by ongoing monitoring to ensure that controls remain effective in a dynamic environment. MBSL further reinforces its risk governance through regular evaluations and transparent reporting processes, strengthening resilience and supporting long-term organizational sustainability and stability.

MBSL Risk Management Framework

Risk Governance serves as the foundation of MBSL's Risk Management Framework, supporting the entire structure and ensuring that all risk-related activities remain aligned with strategic objectives. Built upon four fundamental pillars, the framework emphasises clarity in accountability, strong oversight, and cohesive governance across the organization.



RISK MANAGEMENT REPORT (CONTD.)

1. Risk Governance

Effective risk management at MBSL is built upon a strong Risk Governance foundation. This governance system ensures that all risks current and emerging are identified, monitored, and managed in a structured and consistent manner. At the core of this framework is the Board of Directors (BOD), which carries the ultimate accountability for risk oversight. The Board defines the organization's qualitative and quantitative risk appetite and sets the tone for cultivating a risk-aware culture across all levels of the Company.

Supporting the Board's responsibility is the Board Integrated Risk Management Committee (BIRMC). This committee plays a central role in reviewing risk exposures, guiding the development of risk-related policies, and providing strategic recommendations to strengthen the Company's risk posture. To manage the diverse range of risks faced by MBSL, several specialised committees have been established. Each committee focuses on a specific risk domain and contributes to a coordinated and comprehensive risk governance structure.

The following table outlines the key Board-level and Management-level committees, describing their primary responsibilities and membership structures:

Committee	Responsibilities	Represented By
Board Integrated Risk Management Committee (BIRMC)	The risk management framework at MBSL involves the continuous assessment and monitoring of various risks, including credit, market, liquidity, operational, strategic, compliance, and technology risks. By utilising key risk indicators, we evaluate our exposure and recommend appropriate risk strategies to the Board.	Composed of Non-Executive Directors with expertise in banking, finance, and risk management. Chaired by an Independent Director.
Board Audit Committee	MBSL establishes and reviews internal controls, policies, and procedures with a focus on operational risk management. This approach aims to enhance efficiency and mitigate risks across the organization.	Composed of Non-Executive Directors, chaired by a Director with expertise in accountancy and auditing.
Information & Communication Technology Committee	MBSL oversees IT governance to ensure that technology strategies align with the Company's business objectives. This involves providing recommendations to the Board on IT-related decisions.	Composed of Board Directors, chaired by a Director.
Operational Risk Management Committee	MBSL evaluates operational risks across personnel, systems, internal controls, fraud, cyber threats, and external risks. This comprehensive approach ensures robust risk management at branches, regions, and service divisions.	Composed of Corporate Management personnel, led by the Chief Risk Officer (CRO).
Credit Committee	MBSL reviews and approves credit facilities within the parameters delegated by the Board. This process includes conducting both portfolio-level and individual-level credit risk assessments. Additionally, we recommend credit policies and procedures that require the Board's attention.	Composed of Corporate Management personnel, headed by the Chief Executive Officer (CEO).
Investment Committee	MBSL oversees market risk management, which includes making decisions on investment sales, purchases, and retention strategies.	Composed of Corporate Management personnel, headed by the CEO.
Assets & Liability Management Committee (ALCO)	MBSL advises the Board on matters related to Market Risk, Liquidity Risk, and Capital Management. This includes ensuring effective balance sheet structuring to maintain financial stability.	Composed of Corporate Management personnel, headed by the CEO.
IT Security Committee	MBSL serves as the highest management-level body overseeing information security and technology resilience. This role involves managing both strategic and operational risks related to IT security.	Composed of Corporate Management personnel, headed by the CEO.
IT Steering Committee (ITC)	MBSL aligns the Group's IT strategy with overall business growth and operational risk management objectives. This ensures that our technology initiatives support and enhance our strategic goals while effectively managing associated risks.	Composed of Corporate Management personnel, headed by the CEO.

Three Lines of Defence within MBSL’s Risk Management Framework

MBSL integrates the Three-Lines-of-Defence model to ensure that risk responsibilities are clearly distributed across the organization. This layered structure strengthens accountability, reinforces a risk-aware culture, and supports the effective functioning of controls at every stage of the risk management process.

First Line of Defence: Business and Operational Management

At MBSL, the first line of defence is driven by Corporate Management, business unit leaders, and branch management teams. Positioned closest to day-to-day operations, they are responsible for embedding risk management practices directly into routine business activities.

- Their responsibilities include:
- Recognising and assessing risks at the earliest point of operation
 - Managing risks within their functional boundaries
 - Ensuring strict adherence to established risk policies and procedures
 - Monitoring operations and implementing timely mitigation measures

Through these activities, the first line plays a central role in maintaining the resilience, stability, and integrity of MBSL’s business operations.

Second Line of Defence: Risk Oversight and Compliance

The second line of defence provides the oversight required to ensure that risks are managed within the risk appetite defined by the Board. This layer comprises the Compliance Division,

Risk Management function, Finance, Middle Office, and other monitoring units that oversee the adequacy of controls implemented by the first line.

- Their core functions include:
- Developing, updating, and operationalising risk management policies
 - Monitoring risk exposures across business units
 - Ensuring compliance with regulatory and internal requirements
 - Supporting and guiding first-line teams on risk matters
 - Acting as an independent control function that strengthens governance

Together, these oversight functions reinforce the organization’s risk discipline and consolidate the effectiveness of MBSL’s broader risk management framework.

Third Line of Defence: Independent Assurance

Serving as the final layer, the Internal Audit division provides independent, objective assurance on the strength and effectiveness of MBSL’s risk management practices. Unlike the first and second lines, Internal Audit operates independently from operational and oversight functions to ensure an unbiased view.

- Key responsibilities include:
- Conducting regular audits and evaluations across business units
 - Assessing the adequacy and performance of risk controls
 - Identifying weaknesses or gaps in existing processes
 - Recommending corrective and improvement actions
 - Ensuring the continuous enhancement of governance and risk practices

Through its assurance activities, the third line helps maintain a transparent, well-controlled, and reliable risk management environment across the organization.

Enhanced Risk Management

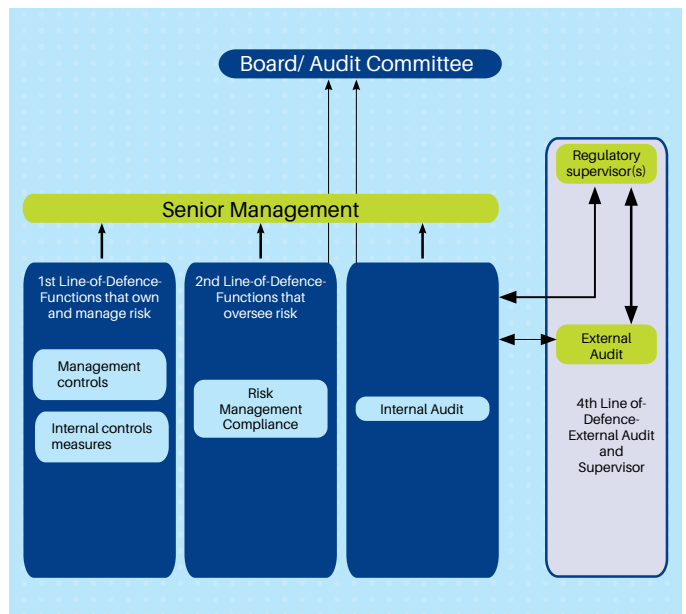
MBSL has strengthened its overall risk management structure by integrating a fourth line of defence, in keeping with BASEL guidelines. This additional level introduces regulatory and external supervisory oversight, broadening the organization’s assurance mechanisms and bringing an advanced layer of independent scrutiny to its risk management activities.

This fourth line functions through the involvement of external regulators, supervisory bodies, and independent auditors who assess the adequacy and effectiveness of MBSL’s internal governance and control systems. Their role includes:

- Evaluating the soundness of internal risk management practices
- Conducting independent external audits and assessments
- Enhancing transparency, accountability, and regulatory compliance
- Reinforcing the credibility of the overall risk management environment

By integrating this external oversight layer, MBSL aligns its operations with international standards and strengthens its capacity to anticipate, manage, and mitigate risks effectively.

The adoption of this four-tier defence model ensures that MBSL maintains a risk management framework that is robust, transparent, and proactive supporting financial stability, regulatory adherence, and operational excellence across the institution.



RISK MANAGEMENT REPORT (CONTD.)

2. Direction: Steering MBSL's Risk Management Function

Effective direction from the Board of Directors and Senior Management forms the backbone of MBSL's Risk Management Function. Their leadership drives the establishment of a well-defined Risk Appetite, supported by comprehensive policies, guidelines, and procedures that ensure consistent and disciplined risk oversight across the organization.

Strategic Direction Through the Risk Appetite Statement

The Risk Appetite Statement serves as the central reference point for how MBSL approaches risk while pursuing its strategic objectives. It defines the acceptable boundaries for risk-taking and guides decision-making across all business units.

The Board of Directors is responsible for formulating and approving the Statement, balancing risk and return while safeguarding the Company's financial strength. This process includes:

- Identifying risks that could affect financial soundness and operational continuity
- Establishing appropriate risk limits to maintain a sustainable risk profile
- Ensuring alignment with long-term business goals and strategic priorities

To maintain its relevance, the Board Integrated Risk Management Committee (BIRMC) conducts an annual review of the Risk Appetite Statement. This review evaluates

changes in the internal and external operating environment, allowing for timely adjustments to reflect evolving risk exposures.

Through this structured process, MBSL strengthens preparedness for emerging threats and maintains a forward-looking approach to risk governance.

Strengthening Risk Oversight Through Robust Policies

MBSL's Risk Management Policies translate the Risk Appetite into clear rules and expectations for managing risks across the organization. These policies are designed in accordance with regulatory requirements and industry best practices, enabling uniform and disciplined risk handling.

The policy framework covers every major risk domain, including:

- Overall Risk Management Policy: Outlines the enterprise-wide approach to identifying, assessing, controlling, and monitoring risks.
- Credit Risk Management Policy Framework: The Credit Risk Management Framework provides a structured and comprehensive approach to managing the risks arising from MBSL's lending and credit-related activities.
- Operational Risk Management Policy: The Operational Risk Management Policy provides the foundation for identifying, evaluating, and mitigating risks arising from internal processes, people, systems, or external events.

- Market & Liquidity Risk Management Policy: Defines methodologies and controls for managing market fluctuations and maintaining healthy liquidity buffers.
- Loan Review Management Policy: Sets standards for credit evaluation, portfolio quality assessment, and continuous credit risk monitoring.
- Sustainable Financing Policy Framework: Promotes responsible lending practices with emphasis on ESG principles.
- Business Continuity Management Policy: Ensures uninterrupted critical operations during crises or disruptions.
- IT Risk Management Framework: Addresses cybersecurity and technology-related risks through structured governance and controls.

Each policy is reviewed and recommended by the BIRMC before being submitted to the Board for final approval, ensuring strong oversight and alignment with MBSL's strategic direction.

Guidelines and Procedures: Translating Policy Into Action

Guidelines and procedures provide the practical tools necessary to implement risk policies effectively.

Guidelines outline the level of detail, scope, and documentation required for risk-based decisions across operational areas.

Procedures convert high-level policies into step-by-step processes, enabling consistent execution of risk controls across all functions.

Senior Management is responsible for ensuring these procedures are implemented in accordance with the approved Risk Appetite. Together, these components uphold strong governance standards and help maintain MBSL's operational resilience and disciplined risk culture.

3. Assurance: Strengthening Risk Oversight and Compliance

Continuous oversight and independent assurance mechanisms form the third pillar of MBSL's risk governance structure. These measures ensure that risk management activities remain fully aligned with approved policies and regulatory expectations.

Ongoing Risk Monitoring and Reporting

MBSL maintains a systematic approach to monitoring and escalating risks:

- Key Risk Indicators (KRIs) are assessed and reported to BIRMC every two months.
- Any breaches of approved risk limits are escalated to the Board of Directors for review and corrective action.

This structured reporting process ensures that risk issues are detected early and addressed proactively.

Independent Assurance for Strong Governance

To reinforce transparency and accountability, MBSL has established multiple layers of independent assurance:

- The Audit Committee appoints the Internal Auditor to conduct a comprehensive annual risk-based audit, evaluating adherence to policies, guidelines, and procedures.
- Findings and recommendations are presented to the Board, enabling continuous enhancement of internal controls.
- As mandated by the Constitution of Sri Lanka, the Auditor General conducts external audits to assess the adequacy of risk management practices, internal control mechanisms, and financial reporting.

These independent assessments collectively strengthen MBSL's risk governance and ensure continued regulatory compliance.

4. Culture: Building a Proactive and Responsible Risk Mindset

A strong risk culture is a fundamental enabler of MBSL's Risk Management Framework. The organization continues to nurture an environment where risk awareness and accountability guide decision-making at every level.

Embedding a Risk-Aware Culture

MBSL reinforces its risk culture through:

- Clear communication of roles and responsibilities related to risk management
- Active leadership from the Board and Senior Management, who set the tone for ethical and risk-conscious behavior

- Alignment of risk-related decisions with strategic objectives and the approved Risk Appetite

This cultural foundation encourages prudent judgment, enhances operational resilience, and supports sustainable long-term performance.

Accountability and Corrective Measures

When behaviours or actions fall outside approved risk policies or established risk tolerance, the Board—through appropriate governance channels—initiates corrective measures to restore compliance and uphold integrity in risk practices.

Ongoing staff engagement, continuous training, and reinforcement of expected behaviors ensure that MBSL sustains a strong risk culture grounded in responsibility, transparency, and ethical conduct.

Managing Key Risk Concerns

MBSL remains committed to maintaining a strong and resilient risk management environment that aligns with the expectations of the Central Bank of Sri Lanka (CBSL) and established industry best practices. As part of this commitment, the Company continuously identifies, evaluates, and manages the key risks that influence its ability to achieve strategic objectives.

Credit Risk

Given MBSL's business model, credit risk continues to be one of the most significant risks managed by the institution. This risk arises when borrowers or counterparties fail to meet their

financial obligations, potentially affecting profitability, liquidity, and overall financial stability.

Default Risk

Default risk refers to the potential loss incurred when a customer is unable to repay their loan in full within the agreed timeline. The Board of Directors provides overall strategic oversight to ensure credit risk is managed effectively across both retail and corporate lending portfolios. This top-level direction is operationalised through the Company's Credit Policy, which outlines detailed processes and controls to support disciplined credit risk management.

Retail Credit Risk Assessment

For retail customers, MBSL follows a structured process to ensure prudent credit underwriting. Key assessment elements include:

- Using credit scoring systems along with external credit bureau information
- Reviewing a borrower's past and present behaviour patterns against the Company's Risk Acceptance Criteria (RAC) across leasing, pawning, and other lending products
- Assessing repayment capacity as a primary indicator of default likelihood

To minimise potential credit losses, MBSL obtains collateral in the form of both movable and immovable assets. Valuation of immovable properties is carried out by independent professional valuers, fully adhering to the Finance Business Act Directions (Valuation of Immovable Properties) No. 04 of 2018 and subsequent amendments.

Risk Oversight and Monitoring by the Risk Management Department (RMD)

The Risk Management Department (RMD) plays a key role in ensuring independent, unbiased oversight of significant credit proposals submitted by business units. Its responsibilities include:

- Evaluating credit exposures and monitoring the performance of the loan portfolio
- Assessing economic, sector, and market factors that could influence credit quality
- Conducting detailed industry studies to identify risk vulnerabilities
- Tracking early warning indicators and trends in non-performing loans (NPLs)

Insights from these analyses are regularly presented to the Board Integrated Risk Management Committee (BIRMC) and the Board of Directors to guide strategic decision-making and ensure timely action where required.

Enhanced Oversight Through a Credit Watch-List

To further strengthen portfolio oversight, the RMD maintains a dynamic credit watch-list using Power BI for real-time visibility and advanced analytics. This watch-list includes all high-risk facilities identified during the risk identification process and is continuously monitored. Updates, trends, and emerging issues from the watch-list are formally reported to:

- The Credit Committee
- The Board Integrated Risk Management Committee (BIRMC)

RISK MANAGEMENT REPORT (CONTD.)

This ensures that high-risk exposures receive focused and continuous attention, enabling proactive intervention.

Commitment to Continuous Improvement

MBSL is dedicated to enhancing its credit risk management framework through ongoing improvements and stakeholder collaboration. Business units, operational teams, and the Risk Management Division work collectively to strengthen policies, refine risk assessment tools, and improve monitoring mechanisms.

This collaborative effort reinforces MBSL's ability to maintain a strong and reliable credit process, supporting long-term financial stability and sound governance across the organization.

Credit and Default Risk Management Initiatives in 2025

Throughout 2025, MBSL advanced its credit and default risk management capabilities through a series of targeted initiatives. These measures were designed to strengthen oversight, enhance predictive risk identification, and support the MBSL's long-term strategic direction.

1. Digitalisation of Credit Watch-List and Loan Review Processes

MBSL achieved full automation of its Credit Watch-List and Loan Review Management (LRM) system during the year. Supported by Power BI dashboards, the upgraded system now provides:

- Real-time visibility into portfolio movements

- Automated tracking of high-risk facilities
- Strengthened early-warning mechanisms
- Transparent and streamlined monitoring

This integration of analytics and automation enables faster detection of emerging risks and facilitates timely intervention.

2. Structured Monthly Loan Review Meetings

The Bank continued its practice of conducting monthly LRM meetings to maintain rigorous oversight of high-risk exposures. These sessions bring together senior management and relevant stakeholders to

- Review high-risk facilities in detail
- Analyse root causes leading to elevated risk levels
- Agree on corrective and preventive actions

This disciplined review mechanism ensures that risk mitigation strategies remain timely, coordinated, and effective.

3. Expansion of the Loan Review Mechanism (LRM)

LRM function Originally established within the Risk Management Department in 2023, the LRM function was further strengthened during 2025. Key improvements included:

- Recruitment of additional specialised staff
- Implementation of fully automated facility-monitoring systems using power automation and power Bi
- Broader coverage of credit facilities

These enhancements have made the review process more efficient and comprehensive, supporting a more robust credit oversight environment.

4. Promoting a Strong Risk-Aware Culture

MBSL expanded its efforts to build risk awareness across the organization by conducting:

- Regular credit review sessions
- Targeted training programmes for staff
- Continuous learning initiatives on credit processes

These efforts ensure that employees at all levels — particularly branch teams — are well-equipped to identify risk signals early and to contribute effectively to recovery efforts.

5. Strengthening Data Analytics Capabilities

To support data-driven decision-making, MBSL introduced an enhanced analytics function within the Risk Management framework. Using advanced analytical tools, the Bank is now better positioned to:

- Identify trends and risk patterns
- Anticipate potential credit deterioration
- Improve portfolio-level insights
- Strengthen forward-looking risk assessments

This capability significantly enhances the Bank's ability to mitigate credit risk and reinforces operational resilience.

6. Advancement of Sustainable Products and ESG Risk Evaluation

In line with its sustainability commitment, MBSL continued to promote environmentally aligned financial products such as:

- Solar financing solutions
- Electric vehicle loans

The Bank also strengthened its ESG risk evaluation mechanisms to ensure responsible financing practices. The Sustainable Policy Framework was updated to reflect the latest industry standards and evolving best practices, ensuring long-term alignment with global sustainability trends.

7. Comprehensive Review of Credit Policies and Procedures

During 2025, MBSL undertook a detailed review of its existing credit policies and procedures. This review aimed to ensure that the Bank's practices remain aligned with:

- Evolving market dynamics
- Regulatory expectations
- Strategic business priorities

The outcome of this review further reinforced the credit management framework, enabling more effective identification, assessment, and mitigation of credit risks.

Credit Concentration Risk

Concentration risk emerges when a substantial share of the credit portfolio is tied to a narrow group of borrowers, specific products, geographic areas, or industry sectors. Such imbalances increase the institution's sensitivity to negative developments

within any single segment. By effectively identifying and managing these concentrations, MBSL can limit potential losses, enhance portfolio diversification, and preserve long-term financial stability.

Credit Concentration Risk Management Initiatives in 2025

In 2025, MBSL implemented a set of targeted strategic initiatives to strengthen the management of Credit Concentration Risk. These actions were designed to enhance the diversification of the credit portfolio, improve oversight mechanisms, and ensure that emerging vulnerabilities linked to concentrated exposures are addressed promptly. Collectively, these measures contributed to reinforcing the organization’s overall financial resilience and long-term stability.

1. Establishing Limits

MBSL has established maximum exposure limits across individual customers, product categories, and industry sectors as a key measure to manage concentration risk. By capping exposures in this structured manner, the Bank prevents any single borrower relationship, product line, or sector from becoming disproportionately large within the overall credit portfolio.

This disciplined approach promotes balanced credit allocation, minimises vulnerability to segment-specific shocks, and strengthens the resilience of the portfolio. As a

result, MBSL is better positioned to maintain financial stability and manage concentration risks in a consistent and controlled manner.

2. Review Process

MBSL regularly reviews and reassesses its established threshold limits to ensure they continue to reflect current market dynamics and external conditions. This ongoing evaluation enables the Bank to update limits promptly in response to economic shifts, industry trends, or emerging risk factors.

By maintaining this proactive review process, MBSL ensures that concentration risks are managed prudently and kept within acceptable boundaries, thereby strengthening the institution’s financial resilience and safeguarding long-term stability.

3. Stringent Adherence to Regulatory Requirements

MBSL upholds full compliance with the single-borrower limits and other credit exposure thresholds mandated by the Central Bank of Sri Lanka (CBSL). These regulatory requirements are designed to curb excessive concentration risk, reduce systemic vulnerabilities, and strengthen the overall stability of the financial sector.

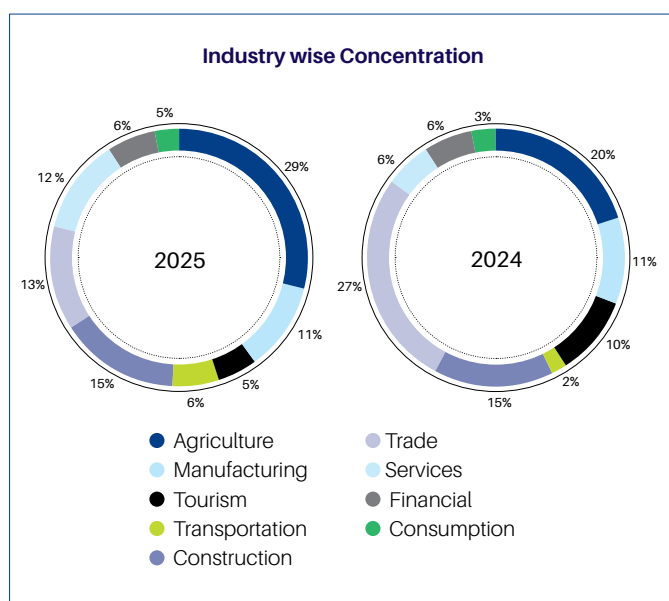
By adhering to these prescribed limits, MBSL ensures that its credit exposures remain within prudent, sustainable, and regulatorily acceptable boundaries. This disciplined

compliance framework reinforces the Bank’s commitment to sound governance, responsible risk-taking, and alignment with established industry best practices.

4. Ongoing Oversight

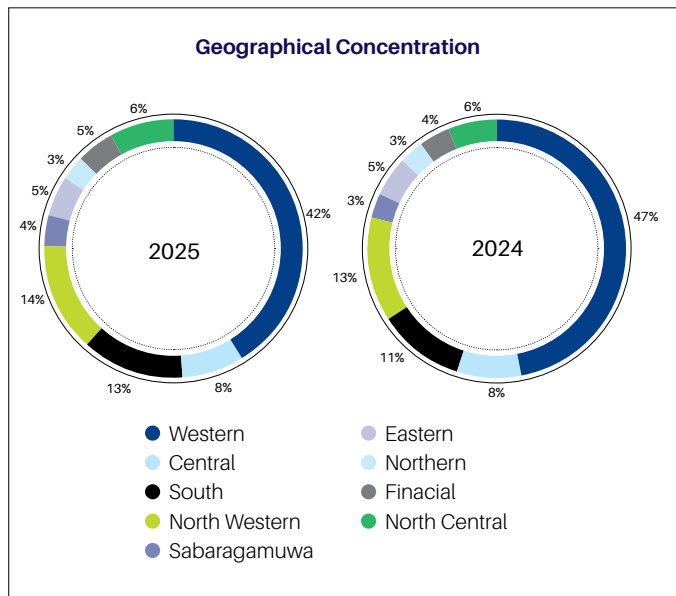
MBSL’s Concentration Risk is monitored through monthly dashboard reviews that provide timely insights into the Company’s credit exposures. This ongoing oversight enables the early identification of emerging concentration risks and supports prompt corrective action. Through consistent monitoring of the credit portfolio, MBSL ensures effective management of concentration risk and continued financial stability.

These measures collectively ensure effective management of Credit Concentration Risk, enabling MBSL to navigate the complexities of its credit portfolio while safeguarding the Company’s longterm financial stability.

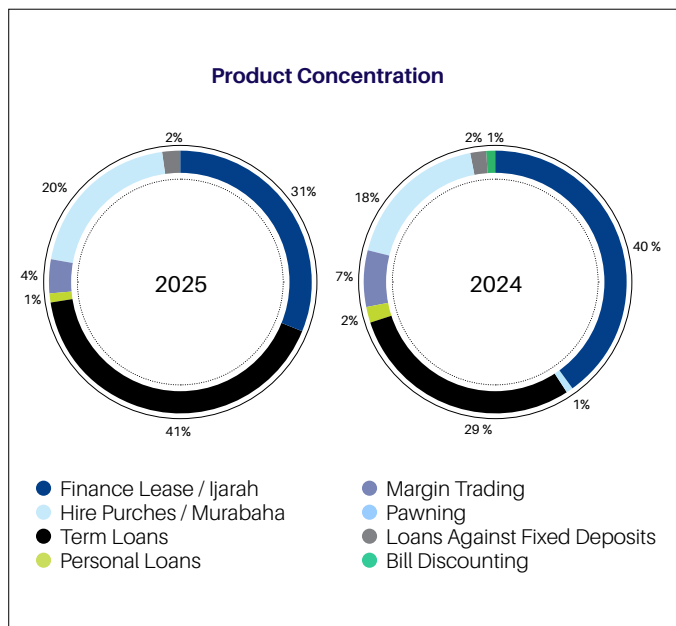


Total credit exposure increased from Rs. 28.35 Bn in 2024 to Rs. 41.32 Bn in 2025, reflecting strong overall portfolio growth. The most notable increases were in the Transportation, Agriculture, Financial, and Services sectors, which together contributed the largest share of the year-on-year expansion. Transportation more than doubled, while Agriculture and Financial Services showed significant upward movements. In contrast, Consumption lending declined, reducing its share in the overall portfolio. Overall, while the portfolio expanded across most core industries, rising concentrations in a few fast-growing sectors highlight the need for continued monitoring to maintain a balanced risk profile.

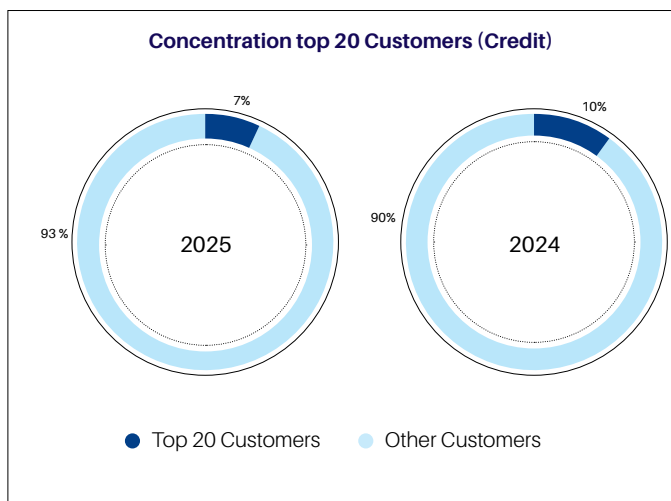
RISK MANAGEMENT REPORT (CONTD.)



The Western Province continued to hold the largest share, though its proportion declined from 47.1% to 41.9% as other regions grew at faster rates. Significant increases were recorded in the Southern and North Western provinces, whose shares rose to 13.1% and 13.8% respectively, reflecting strengthened credit demand in these areas. All other provinces also posted moderate growth, indicating broader regional diversification of the credit portfolio.



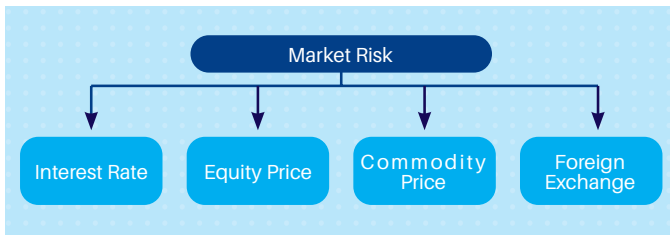
The significant increase in Term Loans during 2025 was mainly driven by strong growth in short-term lending products. Short-Term Loans recorded a notable expansion from Rs. 4.5 Bn in 2024 to Rs. 9.2 Bn in 2025, reflecting heightened demand for working-capital financing and liquidity support across multiple customer segments. Additionally, the Bank's Easy Pay facilities—classified under the term loan category—also increased substantially, supported by higher customer uptake due to flexible repayment features and widened product outreach. These combined movements contributed materially to the overall rise in the Term Loan portfolio and indicate a shift towards structured, installment-based borrowing solutions within the customer base.



The concentration of credit exposure among the Top 20 customers declined from 10.04% in 2024 to 7.05% in 2025, reflecting a healthier and more diversified credit portfolio. This reduction indicates that reliance on a small group of large borrowers has decreased, thereby lowering concentration risk. Correspondingly, credit exposure to all other customers increased from 89.96% to 92.95%, demonstrating broader distribution of lending across the wider customer base. Overall, the shift signifies improved portfolio diversification and reduced vulnerability to single-borrower credit shocks.

Market Risk

Market risk refers to the possibility of financial losses resulting from adverse movements in key market variables, including default risk arising from a counterparty's inability to meet financial obligations, interest rate risk caused by fluctuations in market interest rates, credit spread risk generated by changes in the yield differential between corporate bonds and government securities, equity risk associated with volatility in equity prices, foreign exchange (FX) risk stemming from variations in currency exchange rates, and commodities risk driven by movements in commodity prices. At MBSL, market risk primarily originates from unfavorable changes in interest rates, equity markets, commodity prices, and foreign exchange rates, all of which can negatively impact the valuation of financial instruments held by the Company and influence its overall financial performance.



Fluctuations in interest rates, equity markets, and commodity prices have a direct impact on MBSL’s ability to achieve its strategic objectives. These market movements influence the Company’s Financial Position, revenue streams, and overall operational performance. Conversely, changes in foreign exchange rates affect the Company’s performance indirectly, particularly through international business activities and transactions denominated in foreign currencies. Such volatility can alter cash flows, profitability, and the valuation of foreign currency exposures, thereby requiring active monitoring and prudent risk management.

Interest Rate Risk Management

Interest rate risk is a key component of MBSL’s overall market risk profile, arising from unexpected movements in market interest rates. During the year, these rate fluctuations had a direct impact on the Company’s interest expenses and net income, while also influencing strategic decisions related to funding, asset–liability structuring, and the management of rate-sensitive exposures, including maturity mismatches.

Oversight of this risk is carried out through a coordinated governance structure. The Assets and Liabilities Committee (ALCO) continuously monitors interest rate developments to assess their potential effects on the Bank and determine appropriate mitigation strategies. Supporting this effort, the Risk Management Department (RMD) performs comprehensive evaluations of maturity mismatches and rate-sensitive gaps to identify vulnerabilities that could affect earnings.

Further strengthening the oversight framework, the Board Integrated Risk Management Committee (BIRMC) reviews short- and medium-term interest rate exposures and provides direction to the relevant departments to implement corrective measures when required. This layered governance approach ensures that interest rate risk is managed proactively and in alignment with MBSL’s broader financial stability objectives.

Interest Rate Risk Review for 2025

In 2025, Sri Lanka’s interest rate environment operated under greater stability, supported by the Central Bank of Sri Lanka’s decision to maintain the Overnight Policy Rate at 8.00 percent, with the Standing Deposit Facility Rate at 7.50 percent and the Standing Lending Facility Rate at 8.50 percent, as confirmed in the Monetary Policy Review of March 2025. Treasury bill rates remained steady during the year, with the 91-day, 182-day, and 364-day maturities recorded at 7.50 percent, 7.84 percent, and 8.25 percent respectively in March

2025, signaling a more stable interest-rate trajectory following the significant adjustments observed in 2024. Longer-term government securities also reflected improved investor sentiment, with benchmark bond yields for 2028–2032 maturities trading within a relatively narrow range of 9.85 percent to 10.75 percent. [wealthtrust.lk]

The CBSL’s introduction of the unified Overnight Policy Rate framework in late 2024 continued to guide monetary policy operations throughout 2025, contributing to clearer policy signaling and improved transparency in the financial markets. Overall, the interest-rate environment in 2025 demonstrated greater consistency, with stable policy rates, steady Treasury bill yields, and more predictable bond-market behavior helping financial institutions, including MBSL, to better manage funding strategies, rate-sensitive exposures, and overall balance sheet positioning.

Equity Risk Management

Market risk driven by movements in share prices remains an important consideration for MBSL, as fluctuations in equity markets can directly affect the value of the Company’s investment portfolio and, in turn, its investment income. To manage this exposure, MBSL implemented several strategic actions during the review period to lessen its sensitivity to equity market volatility, protect portfolio value, and reinforce disciplined investment practices in line with the Company’s broader risk management objectives.

The Capital Market Division, operating under the guidance of the Investment Committee, oversees all equity-related investment activities. This governance structure ensures that portfolio decisions are made within a controlled and strategic framework, enabling the Company to navigate market fluctuations while remaining aligned with long-term business priorities and defined risk tolerance levels. The Investment Committee continuously reviews portfolio performance and provides direction to ensure investment activities support MBSL’s overall financial strategy.

In addition to this internal oversight, the Board Integrated Risk Management Committee (BIRMC) conducts periodic evaluations of the share portfolio, focusing particularly on performance trends and concentration levels. These reviews help identify emerging equity-related risks early, strengthen the portfolio’s resilience, and ensure MBSL remains well-positioned to manage market volatility effectively, thereby contributing to the Company’s financial stability.

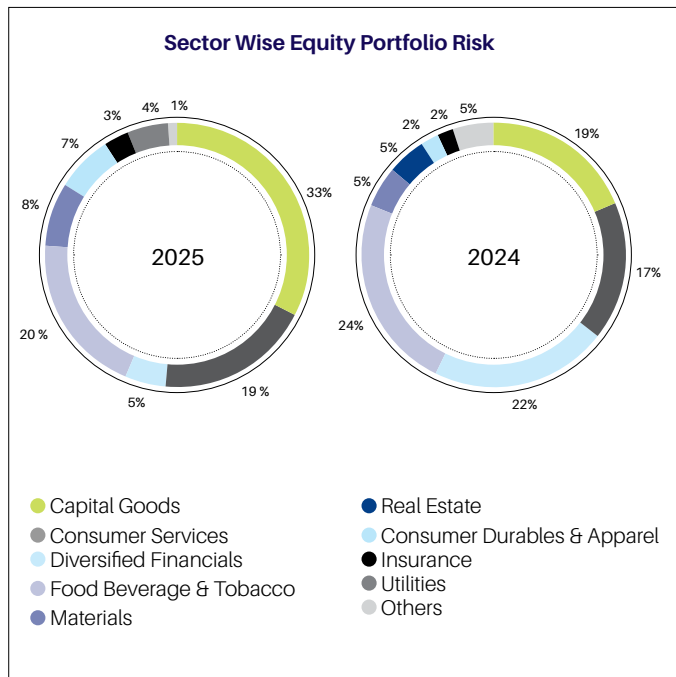
Equity Market Overview in 2025

In 2025, the Sri Lankan equity market delivered another year of strong performance, with the All Share Price Index (ASPI) rising by approximately 42% to close at 22,624.31 points. Market capitalisation increased by nearly Rs. 2.4 trillion, reaching Rs. 8.07 trillion, supported by lower interest rates, improved corporate earnings, and stronger investor sentiment.

RISK MANAGEMENT REPORT (CONTD.)

Despite short periods of volatility most notably the April downturn triggered by U.S. trade-related tariff announcements the market recovered quickly and continued its upward trajectory, reflecting increased domestic participation and renewed confidence following macroeconomic stabilisation efforts.

Overall, 2025 marked a year of consolidation and sustained growth for the Colombo Stock Exchange, positioning Sri Lanka among the region’s best-performing equity markets and strengthening the long-term outlook for capital market activity.



Equity investments rose moderately in 2025, with the portfolio shifting strongly toward Capital Goods, which became the largest sector holding. Smaller but notable increases were seen in Consumer Durables & Apparel, Materials, and new exposure in Utilities, while allocations to Diversified Financials, Food, Beverage & Tobacco, and Real Estate declined. Overall, the portfolio reflects a move toward industrials and growth-aligned sectors, alongside reduced exposure to previously dominant financial and real estate holdings.

Commodity Risk Management

Commodity risk refers to the potential effect that price fluctuations can have on the value of commodities held within an institution’s portfolio. For MBSL, gold represents the primary commodity exposure, as it is directly tied to the Company’s pawning advances and forms a significant portion of its asset base. The responsibility for managing risks associated with gold price volatility rests with the Pawning Division, which plays an essential role in protecting the Company’s financial stability. The division continuously monitors market trends and ensures that appropriate measures are implemented to minimise adverse impacts from price movements. Through vigilant oversight of gold-related exposures, the Pawning

Division helps preserve asset values and strengthens MBSL’s overall risk management framework.

In 2025, global gold prices surged to record highs above USD 4,300 per ounce, driven by geopolitical tensions, strong central bank buying, and expectations of further U.S. Federal Reserve rate cuts. Sri Lanka mirrored this trend, with the average domestic gold price increasing more than 74% year-on-year, as local prices adjusted to global movements and currency dynamics. Leveraging these favourable conditions, MBSL strengthened its pawning portfolio while maintaining tight controls over loan-to-value ratios and shorter facility tenures, ensuring resilience against gold price volatility and reinforcing the stability of its commodity-backed lending operations.

Liquidity Risk

Liquidity risk refers to the possibility that a financial institution may face difficulty in generating or maintaining adequate cash flows to meet its financial obligations as they fall due. At MBSL, the Asset and Liability Management Committee (ALCO) is responsible for overseeing this risk and ensuring that the institution remains capable of honouring its commitments in a timely and efficient manner. Under the direction of ALCO, the Treasury function carries out liquidity management activities in line with the Board-approved Liquidity Risk Management Policy, which is designed to ensure that MBSL consistently maintains sufficient liquidity levels. As

part of this framework, the Bank adheres to all regulatory benchmarks, including the Tier 1 Capital Adequacy Ratio, Total Capital Ratio, minimum capital requirements, and the mandated Liquid Asset Ratio.

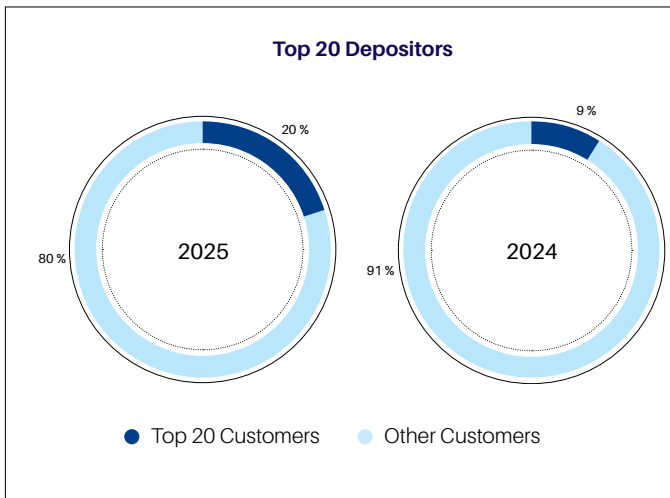
To support transparency and enable effective governance, liquidity updates and risk assessments are regularly provided to the Board of Directors and the Board Integrated Risk Management Committee (BIRMC). These submissions help identify emerging liquidity concerns at an early stage and facilitate prompt policy or operational adjustments when required. MBSL also utilises a range of analytical tools such as stress testing, sensitivity analysis, and gap analysis to evaluate liquidity positions under both normal operating conditions and adverse scenarios. This comprehensive approach allows the Bank to anticipate potential liquidity pressures, strengthen its preparedness, and reinforce overall financial resilience. Through these structured and proactive measures, MBSL maintains a strong liquidity profile that supports its long-term stability and strategic objectives.

Liquidity Risk Management Initiatives in 2025

- Evaluated MBSL’s liquidity-risk tolerance to ensure alignment with strategic objectives and regulatory expectations.
- Enforced stringent liquidity-management practices in line with the Company’s approved Risk Appetite to maintain an optimal balance between liquidity reserves and operational needs.

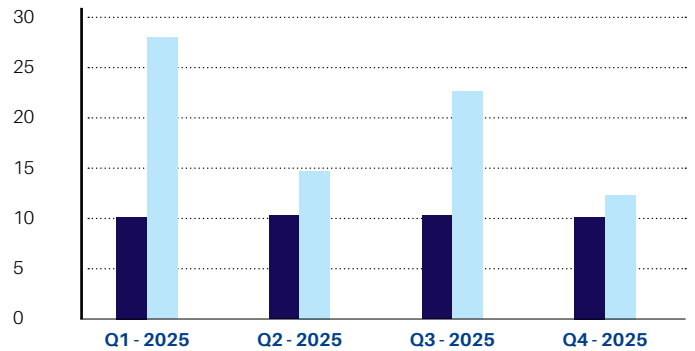
- Implemented a Treasury Risk Management Dashboard using Microsoft Power BI, featuring automated alerts for limit breaches and real-time monitoring enhancements.
- Strengthened funding stability by introducing strategies to increase the fixed-deposit renewal ratio.
- Reduced concentration risk by executing measures to decrease reliance on the top 20 deposit customers.
- Diversified funding sources by reducing dependency on corporate deposits and increasing efforts to attract retail deposits.
- Expanded the Company's savings base through initiatives promoting minor savings accounts and broader retail participation.
- Established contingency funding arrangements with external banks to ensure liquidity resilience during stress scenarios.
- Maintained full regulatory compliance with CBSL liquidity metrics, including the Liquid Asset Ratio and capital-adequacy requirements.
- Ensured continuous liquidity planning by preparing daily, weekly, and monthly cash-flow forecasts, with Treasury actively managing cash flows to support uninterrupted operations.

Through the implementation of these initiatives, MBSL has strengthened its liquidity management practices, ensuring the maintenance of a strong and stable liquidity position. This proactive and structured approach enhances the Company's financial resilience and supports its ability to sustain long-term growth.



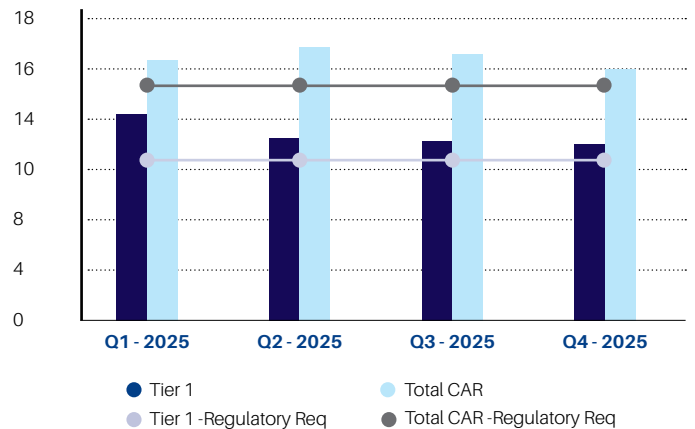
The concentration of deposits among the Top 20 depositors increased significantly from 8.89% in 2024 to 20.11% in 2025, indicating a higher dependence on a small group of large depositors. Correspondingly, the share of all other depositors declined from 91.11% to 79.89%, reflecting a shift toward a more concentrated deposit base. While total deposits continued to grow, the rising proportion of large depositors highlights the need for ongoing monitoring to manage liquidity and concentration risk effectively.

Liquid Assets Ratio



Throughout the year 2025, MBSL has maintained liquid assets well above the CBSL's regulatory minimum requirement.

CAR



Throughout 2025, the Central Bank of Sri Lanka (CBSL) continued to enforce its prudential capital adequacy framework, maintaining the regulatory minimums of 8.5% for Tier 1 and 12.5% for Total Capital Adequacy Ratio (CAR). MBSL remained fully compliant with these requirements across all four quarters of the year.

The Bank's Tier 1 capital ratio ranged from 10.94% in Q1 to 9.10% in Q4, consistently staying above the regulatory minimum. Meanwhile, the Total CAR remained comfortably above the required threshold, fluctuating between 13.76% in Q1 and 13.31% in Q4.

These results demonstrate the Bank's continued emphasis on sound capital management, prudent balance sheet growth, and regulatory compliance, reaffirming MBSL's commitment to maintaining financial resilience and safeguarding stability amid evolving market conditions.

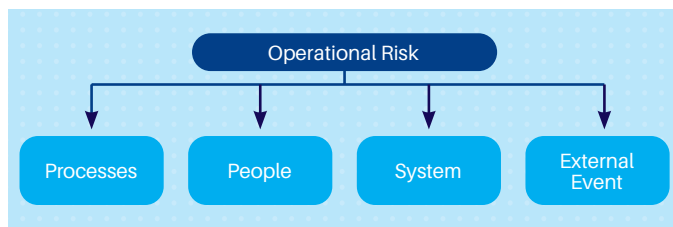
Operational Risk

Operational risk refers to the possibility of financial loss arising from inadequate or failed internal processes, human errors, system weaknesses, or external events. It also includes exposure to legal risk; however, it does not encompass strategic risk or reputational risk.

RISK MANAGEMENT REPORT (CONTD.)

Information Technology Risk

Managing information security is an inherently complex endeavour that requires minimising the risk of critical assets while ensuring seamless operational functionality in hybrid environments. MBSL is strengthening its risk management framework by incorporating internationally recognised standards such as ISO 27001 and the NIST Cybersecurity Framework. These measures align with global best practices, ensuring the security of information assets and enhancing resilience against emerging threats. The goal is to strike the right balance between robust risk management and facilitating legitimate access to information, ensuring both security and smooth workflows.



In this context, risk refers to the likelihood of a threat exploiting vulnerabilities within an information asset, leading to outcomes such as financial loss, reputational damage, regulatory penalties, or operational downtime. To address this, organizations implement Information Security Management Systems (ISMS), which systematically identify, evaluate, and mitigate risks. Effective implementation not only minimises financial fallout from breaches but also enhances stakeholder trust, ensures compliance with legal obligations, and strengthens organizational reputation.

Objectives of Information Security Management Systems (ISMS)

- Systematic Risk Evaluation & Control Prioritisation:** The ISMS will evaluate organizational information security risks to define and prioritise control measures. This includes ensuring the confidentiality, integrity, and availability (CIA triad) of sensitive data.
- Deployment of Holistic Security Controls:** Technical controls (such as encryption, access controls, and intrusion detection systems) and non-technical measures (policies, employee training, incident response protocols) will be developed and deployed to mitigate risks to acceptable levels as defined by management.
- Regulatory Compliance & Legal Alignment:** Security controls will be designed to comply with applicable laws and regulations, ensuring operational legitimacy, avoiding penalties, and maintaining stakeholder trust.
- Operational Governance & Control Sustainance:** Ongoing monitoring and management of implemented controls will be conducted. Incident response plans will be regularly updated and rehearsed for effective preparedness.

- Adaptive Monitoring & Proactive Enhancement:**

Security measures will be continuously updated to address emerging threats (e.g., cyber-attacks, AI-driven attacks), ensuring the organisation remains resilient and minimises incident likelihood.

- Real Time Monitoring, Detection & Prevention;**

a continuous security framework that scans IT environments to identify and stop threats instantly. It uses behavioral analytics and AI to analyse data streams (network, logs) for anomalies, allowing automated, immediate responses—such as isolating devices or revoking credentials—to prevent damage before it occurs.

Operational Risk Management Initiatives for 2025

- Conducted monthly meetings of the Operational Risk Management Committee (ORMC) to review mitigation actions, regulatory compliance, and emerging risks, with all decisions and action plans formally reported to the BIRMC.
- Initiation of full implementation of the Operational Risk Management Framework in accordance with CBSL direction No.04 of 2024, ahead of the regulatory deadline.
- Carried out Risk Control Self-Assessments (RCSA) across key business processes to identify vulnerabilities, strengthen

internal controls, and ensure alignment with MBSL's risk appetite.

- Utilised the Branch Risk Assessment Scorecard to systematically evaluate branch-level operational risks, focusing on control effectiveness, compliance levels, and exposure to operational threats.
- Conducted the annual Business Continuity Plan (BCP) test, using scenario-based simulations (e.g., cyberattacks, natural disasters) to validate recovery capabilities and ensure alignment with regulatory expectations.
- Launched an e-learning program on Operational Risk Management, providing structured training to enhance staff awareness, track completion, and build organization-wide risk-management competency.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or reputational damage that a bank may suffer as a result of its failure to comply with laws, regulations, rules, and standards set by regulatory authorities or self-regulatory organizations.

At the Merchant Bank of Sri Lanka (MBSL), compliance risk is managed through a dedicated Compliance Division. The division operates independently from business operations and reports directly to the Board Integrated Risk Management Committee (BIRMC), ensuring impartial oversight and governance.

The Board has endorsed a comprehensive annual compliance plan that institutionalises a structured approach to identifying, assessing, and mitigating risks. This plan places particular emphasis on both AML/CFT vulnerabilities and broader compliance requirements, while embedding advanced monitoring systems, standardised protocols, and continuous oversight mechanisms. A strong culture of compliance is reinforced through ongoing staff training, awareness campaigns, and innovative communication tools that make compliance requirements accessible and practical across all levels of operation.

Compliance Risk Management Activities in 2025

- Expanded Compliance Audits and Reporting:** Compliance audits were broadened beyond AML/CFT requirements to encompass wider compliance obligations across Divisions, FINNET reporting, Corporate Governance, and Customer Protection Regulations. A new Branch CVR report format was introduced to provide easier reference, clearer understanding, and to facilitate quicker corrective action. In addition, an overall risk assessment was carried out to evaluate the institution's AML/CFT risk profile, while a separate, broader risk assessment was conducted for the entire company, covering both general compliance risks and AML/CFT risks.

- Regulatory Engagements:** Over the past years, MBSL has demonstrated significant progress in its compliance standards through regulatory audits conducted by supervisory authorities. Both quantitative and qualitative indicators confirm a marked reduction in the number of concerns raised as well as the severity of those observations, reflecting regulators' recognition of the bank's strengthened compliance posture.
- Timely Resolution of Regulatory Requirements:** Proactive followup on TBAPs minimised regulatory delays and confusion, thereby enhancing trust and confidence with regulators. These efforts also reinforced confidence among the Board of Directors, management, and staff, strengthening the brand value of the compliance function.
- Innovative Staff Awareness Initiatives:** The Compliance Division launched a new bulletin, Compliance Paththare, and conducted numerous branchlevel minitraining and facetoface sessions. By using simple, examplebased approaches, compliance requirements were made easier to understand, transforming what is often seen as a technical subject into an engaging learning experience. These initiatives improved staff knowledge and attitudes towards compliance and service delivery.
- Strengthening Policies, Procedures, and Controls:** In addition to the AML/CFT policy and procedures, a separate detailed policy and procedure was introduced to cover all other general compliance aspects. An Enhanced Due Diligence (EDD) form was developed, unlinked UBO facilities were minimised, and goAML audits were conducted to ensure accurate and timely reporting. These measures strengthened the bank's ability to detect and report suspicious activities, while also broadening the compliance framework to address both AML/CFT requirements and wider regulatory obligations.
- Infrastructure Upgrade:** The Compliance Division setup was upgraded and resourced to improve operational efficiency, while at the same time visibly demonstrating management's strong commitment to enhancing not only compliance operations but also the overall culture of compliance across the organization.

its role as a cornerstone of risk mitigation, while also building a strong brand image as a trusted and responsible financial institution.

In 2025, MBSL highlighted its proactive and resilient approach to compliance risk management. By aligning with regulatory requirements, industry standards, and internal values, the bank successfully engaged with regulators, strengthened staff capacity, modernised compliance audits, and upgraded infrastructure. Through these initiatives, the Compliance Division reinforced

CORPORATE GOVERNANCE REPORT

Chairman’s Introduction

The Board of Directors is committed to maintaining the highest standards of corporate governance in order to ensure transparency, accountability, and responsible decision-making across the organization. The Board believes that strong governance practices are essential to building trust among stakeholders and sustaining long-term value creation.

The Company continues to strengthen its governance framework in line with regulatory requirements and evolving best practices. During the year under review, the Board remained focused on enhancing risk oversight, strengthening internal controls, and ensuring that the Company operates with integrity and professionalism across all aspects of its business.

As the Chairman of the Merchant Bank of Sri Lanka & Finance PLC (MBSL) Board, I further confirm that all Directors individually and collectively have performed their duties effectively underscored by the principles of fairness, accountability, integrity and transparency. Further I am pleased to report that our employees have demonstrated unwavering commitment to upholding our organisation’s Code of Conduct and there had been no major violations.

Corporate Governance

The Company recognizes that effective corporate governance plays a critical role in ensuring

the sustainable growth of the organisation. The governance practices of the Company are designed to promote ethical conduct, accountability, and transparency in the management of the Company.

The Company’s governance framework is aligned with the regulatory requirements issued by the Central Bank of Sri Lanka and the listing rules and governance principles of the Colombo Stock Exchange.

Corporate Governance Framework

The Company has established a comprehensive governance framework to ensure effective oversight, accountability and responsible management.

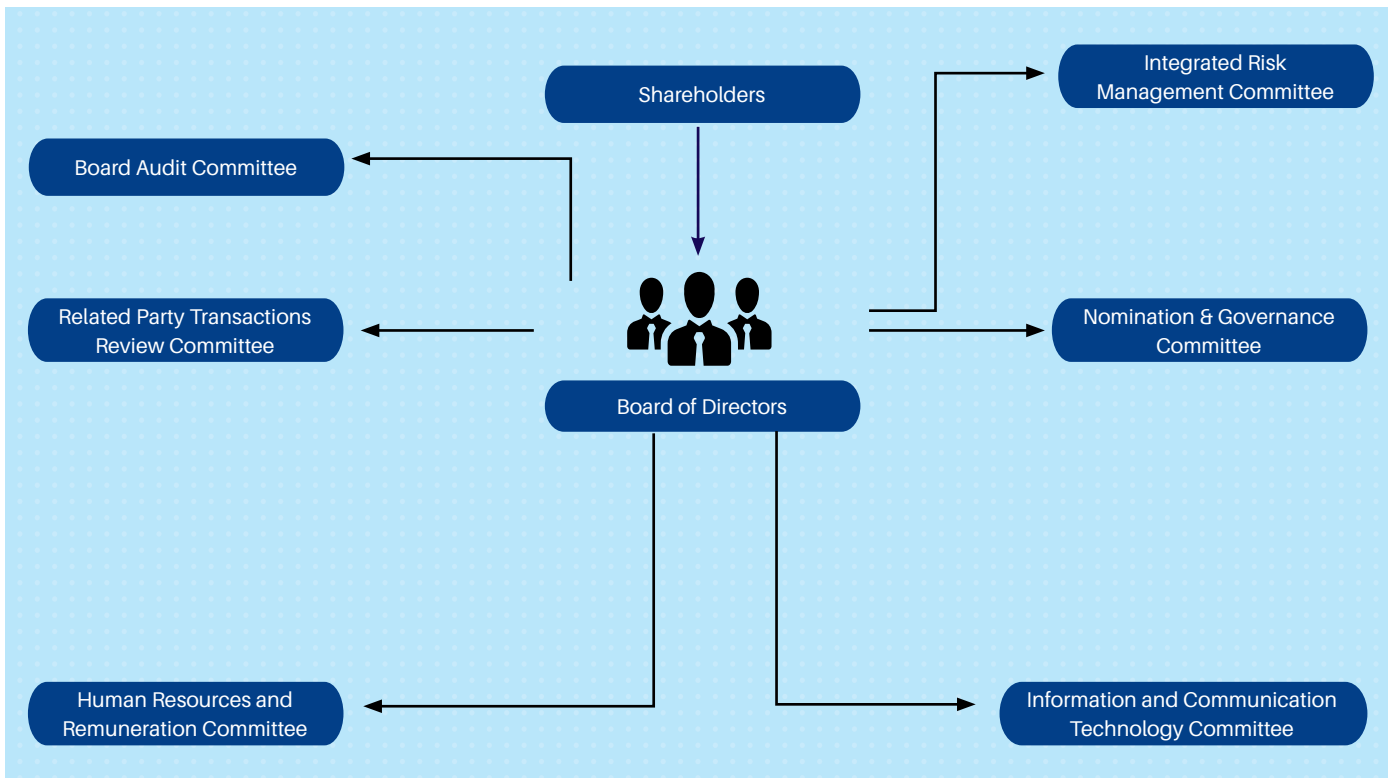
This framework is aligned with applicable regulatory requirements and evolving best practices, and comprises the following key components:

Standards and Principles		
Internal Framework	External Framework	Governance Systems
<ul style="list-style-type: none"> Vision, Mission and Values Articles of Association Board Charter Director’s Code of Ethics Group Corporate Governance Framework and Practices Terms of References for Board sub-committees Comprehensive framework of policies, systems and procedures Code of Business Conduct and Ethics Board-approved policy frameworks for governance, risk and operational areas including HR, IT security and data privacy Whistleblower policy Internal control procedures and processes Anti-money laundering/KYC policy Corporate Communication Policy 	<ul style="list-style-type: none"> Finance Business Act No. 42 of 2011 Companies Act No. 7 of 2007 Finance Business Act (Corporate Governance) Direction No.05 of 2021. Finance Business Act Direction No. 06 of 2021 on Assessment of Fitness & Propriety of Key Responsible Persons Finance Leasing Direction No. 4 of 2009 The Anti-Money Laundering Laws and Regulations and Financial Transaction Reporting Act No. 6 of 2006 and its amendments Listing Rules of the Colombo Stock Exchange Sri Lanka Accounting Standards 	<ul style="list-style-type: none"> Stakeholder engagement Strategic planning Risk management Compliance People management Internal and external audit Related Party Transactions

This structure ensures that decision-making authority is clearly defined, and that appropriate checks and balances are maintained throughout the organisation.

Governance Structure

The governance structure of the Company is designed to ensure effective oversight and accountability. The Board provides strategic direction and supervision while Board Committees provide specialised oversight in key areas such as audit, risk management, governance, and remuneration. Management is responsible for the day-to-day operations of the Company and the implementation of strategies approved by the Board.



Board of Directors

• Board Composition

The Board comprises a balanced mix of Non - Executive Independent Directors and Non - Executive Non - Independent Directors, who collectively bring a diverse range of expertise, experience, and professional backgrounds.

The Board composition is structured to ensure independence of judgement, effective oversight, and compliance with regulatory requirements.

• Board Diversity

The Company recognises the importance of diversity in enhancing the effectiveness of the Board. Diversity is considered in terms of professional background, experience, gender, skills, and perspectives.

A diverse Board enables broader discussions and improves the quality of decision-making, thereby strengthening the governance of the Company.

• Appointment, Re-Election, and Resignation of Directors

Appointments to the Board are made through the recommendations of the Nomination and Governance Committee. The Committee evaluates potential candidates based on their qualifications, experience, expertise, and independence before making recommendations to the Board.

In accordance with the Articles of Association of the Company, Directors are subject to retirement and re-election by shareholders at the Annual General Meeting.

Directors may resign from the Board by providing written notice to the Company. Any such resignations are subject to prior approval by the Central Bank of Sri Lanka and to be duly communicated to shareholders as an immediate disclosure.

• Division of Responsibilities Between the Chairman and CEO

The roles of the Chairman and the Chief Executive Officer are clearly separated to ensure an appropriate balance of authority and responsibility. The Chairman is responsible for leading the Board, ensuring effective governance practices, and facilitating constructive discussions at Board meetings. The Chief Executive Officer is responsible for managing the day-to-day operations of the Company and implementing the strategic decisions approved by the Board.

This clear separation of responsibilities ensures that no single individual has unfettered powers of decision-making.

• Board Meetings

The Board meets regularly to review the performance and strategic direction of the Company.

During the financial year, the Board held Seventeen [17] meetings. The meetings provide an opportunity for Directors to review the Company's financial performance, discuss strategic initiatives, and evaluate risks affecting the business.

CORPORATE GOVERNANCE REPORT (CONTD.)

Board Attendance

Name of the Director	Directorship Status	Board	Board Audit Committee	Integrated Risk Management Committee	Related Party Transactions Review Committee	Human Resources & Remuneration Committee	Nomination and Governance Committee	Information and Communication Technology (ICT)
Number of meetings held		17	17	6	5	9	4	8
Mr. A M A Perera - Chairman	Non Executive/ Non-Independent Director	17/17	13/13	6/6	1/1	3/3	2/2	-
Ms. R. Dulani Fernando	Non Executive/ Senior Independent Director	16/17	17/17	6/6	5/5	8/8	4/4	8/8
Prof. N S PUNCHIHEWA (Resigned w.e.f. 20.03.2025)	Non Executive / Independent Director	2/5	2/2	-	-	1/1	1/1	1/1
Mr. G A Jayashantha	Non Executive/ Non-Independent Director	14/17	-	5/6	-	-	4/4	-
Mr. J D V N Jayasinghe (Resigned w.e.f. 19.02.2025)	Non Executive/ Independent Director	1/4	2/2	-	-	1/1	1/1	-
Mr. R M N Jeewantha	Non Executive/ Non-Independent Director	11/17	-	5/6	-	7/8	1/1	-
Mr. H P K Silva	Non Executive/ Non-Independent Director	12/17	-	-	4/5	4/4	-	6/8
Mr. Y A Jayathilaka (Resigned w.e.f. 23.06.2025)	Non Executive/ Non-Independent Director	4/9	-	-	-	-	-	3/3
Mr. A J Ismail (Appointed w.e.f. 30.01.2025)	Non Executive/ Non-Independent Director	16/16	15/15	6/6	-	5/5	-	5/5
Mr. W C Rodrigo (Resigned w.e.f. 09.07.2025)	Non Executive/ Independent Director	5/5	1/2	-	-	-	-	-
Mr. R L S A Rajapakse (Appointed w.e.f. 30.05.2025)	Non Executive/ Independent Director	7/9	-	0/2	4/4	4/5	1/1	-
Mr. H M P B Herath (Appointed w.e.f. 14.10.2025)	Non Executive/ Independent Director	3/3	appointed w.e.f.18 December 2025	appointed w.e.f.18 December 2025	appointed w.e.f.18 December 2025	appointed w.e.f. 23 April 2026	appointed w.e.f.18 December 2025	-

Directors receive timely and comprehensive information prior to meetings to facilitate informed decision-making.

Board Training and Development

The Company recognizes the importance of continuous professional development of Directors. The Board is provided with opportunities to participate in training programmes, workshops, and seminars to enhance their knowledge on regulatory developments, corporate governance practices, and industry trends.

- **Board Declarations**

The Directors have confirmed that they have complied with the applicable legal and regulatory requirements and have acted in the best interests of the Company.

Directors have also declared that they have no material conflicts of interest that would affect their ability to discharge their duties independently.

- **Conflict of Interest**

Directors are required to disclose any actual or potential conflicts of interest in accordance with applicable laws and internal policies. Where a conflict arises, the Director concerned refrains from participating in discussions or decisions relating to the matter. This process ensures transparency and protects the integrity of the Board's decision-making.

- **Procedure for Assessing Directors**

The performance of the Board and individual Directors are periodically evaluated to ensure that the Board functions effectively.

The evaluation process may include assessments relating to:

- Effectiveness of Board meetings
- Contribution of individual Directors
- Effectiveness of Board Committees
- Strategic oversight and decision-making

The results of these assessments are used to improve Board effectiveness and governance practices.

- **Shareholder Relations and Communication**

The Company recognises the importance of maintaining transparent communication with its shareholders and stakeholders. Shareholders are provided with timely and accurate information regarding the Company's performance through:

- Annual Reports
- Financial Statements
- Stock exchange disclosures
- Shareholder meetings

The Annual General Meeting provides shareholders with an opportunity to engage with the Board and management on matters relating to the Company's performance and strategy.

However, the Board has in place a Board approved Policy on relation with Shareholders and Investors to facilitate effective communication. A designated officer has been appointed for this purpose and her contact details are available on Company's website.

- **Commitment to Good Governance**

The Board remains committed to maintaining the highest standards of corporate governance and continuously improving governance practices in line with regulatory developments and industry best practices.

Strong governance practices will continue to play a key role in supporting the Company's long-term growth and sustainability.

- **Statement**

The Board of Directors remains firmly committed to maintaining the highest standards of corporate governance to ensure transparency, accountability and the protection of shareholder value. Accordingly, the Company confirms that it has complied with the applicable corporate governance requirements issued by the Central Bank of Sri Lanka and the corporate governance rules of the Colombo Stock Exchange during the period under review.

CORPORATE GOVERNANCE REPORT (CONTD.)

Section I

Statement of the Extent of Compliance Under Section 9 of the Rules of the CSE on Corporate Governance

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.2	Policies	
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Committees - To mention regarding the TOR. (c) Policy on Corporate Governance, Nominations and Reelection. (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption	The Board approved policies are in place and published in MBSL website.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	Listed Entities shall disclose in its Annual Report: (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.	The availability of the approved list of policies are disclosed on the Company's website. The Company has adopted the required policies as per Section 9.2.1 above.
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	Share holders can obtain the policies after making a written request to the Company Secretary.
9.3 Board Committees		
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	These Committees are in place and functioning effectively. In addition to these, Company has established a Board Integrated Risk Management Committee and Board ICT Committee
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The Company complies with the said requirement.
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	The Company complies with the said requirement.
9.4.	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	The Company always adheres to principles of democracy in adopting of meeting procedures in General Meetings.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.4.1	<p>Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC.</p> <p>(a) The number of shares in respect of which proxy appointments have been validly made;</p> <p>(b) The number of votes in favour of the resolution;</p> <p>(c) The number of votes against the resolution; and</p> <p>(d) The number of shares in respect of which the vote was directed to be abstained.</p>	<p>The Company has a record of all resolutions passed at General Meetings and information under (a)- (d) is available.</p>
9.4.2	<p>Communication and relations with shareholders and investors</p> <p>(a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</p> <p>(b) Listed Entities shall disclose the contact person for such communication.</p> <p>(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</p> <p>(d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.</p>	<p>The Company has implemented a Board-approved Policy on Effective Communication and Relations with Shareholders and Investors, which covers sections (a) to (c). This policy is disclosed in the Annual Report and is also published on the Company's official website.</p> <p>The Company Secretary is responsible for addressing shareholder and investor concerns and bringing such matters to the attention of the Board when necessary.</p> <p>Company adheres to guidelines issued by the Exchange in conducting virtual or hybrid meetings.</p>
9.5	Policy on matters Relating to the Board of Directors	
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <p>(a) recognise the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.</p> <p>(b) where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <p>(i) set out the rationale for combining such positions; and,</p> <p>(ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.</p> <p>(iii) set out the measures implemented to safeguard the interests of the SID</p> <p>(c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> <p>(d) stipulate the maximum number of Directors with the rationale for the same</p> <p>(e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p>	<p>A Board-approved Board Charter which covers governing matters is in place.</p> <p>The charter covers these requirements.</p> <p>This is not included in the charter as the roles of CEO and Chairperson are not combined.</p> <p>Complied</p> <p>A term of reference for Senior Independent Director (SID) is available. A SID is appointed by the Company, in compliance with the Finance Business Act Direction No. 05 of 2021, when the Chairperson is not an independent Director.</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.5.1	(f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/ or non-compliance by the Listed Entity with obligations arising under such Rules.	Complied
	(g) specify the minimum number of meetings, in numbers and percentage, that a director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.	Complied
	(h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.	Complied; The Company has established an Securities trading Policy, which sets out the requirements and guidelines relating to the trading of securities.
	(i) specify the maximum number of directorships in Listed Entities that may be held by Directors.	In terms of the Articles of Association of the Company, the maximum number of Directors that may be appointed to the Board is Nine (09)
	(j) Recognise the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.	In accordance with the provisions of the Finance Business Act of the Central Bank of Sri Lanka, a Director shall not hold office in more than twenty (20) companies. All Directors of the Company comply with this requirement. The Company duly records the attendance of Directors at Board Meetings and Sub-Committee Meetings. Attendance through virtual/online participation is also appropriately recorded.
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	The Company complies with the requirements set out under Rule 9.5.1 of the Colombo Stock Exchange (CSE).
9.6 Chairman and CEO		
9.6.1	The Chairman of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairman of the Board is a Non-Executive, Non-Independent Director. The roles of the Chairman and the Chief Executive Officer (CEO) are clearly segregated and are held by separate individuals.
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: (a) The reasons for non-compliance (b) The rationale for combining the positions of the Chairperson and CEO	Not applicable.
9.6.3	The Requirement for a Senior Independent Director (a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.	As the positions of Chairman and CEO are held by separate individuals, the requirement under this clause is not applicable.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.6.3	<p>(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.</p> <p>(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.</p> <p>(d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above.</p> <p>(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p>	<p>Although the roles of Chairman and CEO are separated, in compliance with the Finance Business Act Direction No. 05 of 2021, the Company has appointed a Senior Independent Director (SID). This appointment was made following the re-designation of the Chairman as a Non-Executive, Non-Independent Director, due to his appointment to the Board of a subsidiary of Merchant Bank of Sri Lanka & Finance PLC.</p> <p>Accordingly, Ms. R Dulani Fernando has assumed the role of Senior Independent Director with effective from 13.01.2026, and her responsibilities are set out in the Terms of Reference (TOR) of the Senior Independent Director.</p>
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	Complied
9.7	Fitness of Directors and CEOs	Complied
9.7.3	Fit and Proper Assessment Criteria:	
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company has obtained signed declarations from the Directors and the CEO confirming their Fitness and Propriety for the year under review.
9.7.5	Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/reports in the Annual Report;	Complied
	(a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.	Written declarations attesting to this have been obtained from each director and the CEO. The Board of Directors and the CEO of the Company have confirmed compliance with the Fit & Proper Assessment criteria outlined in the Listing Rules of the Colombo Stock Exchange
	(b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.	
9.8 Board Composition		
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board of Directors consists of eight (8) Directors
9.8.2	Minimum Number of Independent Directors:	The Company met this requirement throughout the year
9.8.3	Criteria for determining independence:	Complied
9.8.5.	The Board of Directors of Listed Entities shall require:	
	(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.	The Company obtains a declaration as specified in appendix 9A to ensure their independence.

CORPORATE GOVERNANCE REPORT (CONTD.)

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.8.5	(b) Make an annual determination as to the "independence" or "non- independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.	Ms. R Dulani Fernando, Mr. R L S A Rajapakse & Mr. H M P B Herath , were determined to be independent based on individual declarations.
	(c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.	Complied
9.9	Alternate Directors	There are no Alternate Directors on the Board.
9.10 Disclosures Relating to Directors		
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	The Company is in compliance with the requirements set out under Rule 9.10.1 of the Colombo Stock Exchange (CSE). Complied
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;	The Company is in compliance with the requirements set out under Rule 9.10.2 of the Colombo Stock Exchange (CSE).
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Any changes to the composition of the Board and its Sub-Committees are duly disclosed and published in accordance with applicable regulatory requirements.
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given on Pages 12 to 15
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE	
	Listed entities shall have a Nomination & governance Committee that conforms to the requirements set out in the Rule 9.11 of these rules	The Board Nomination and Governance Committee is actively functioning and carries out its responsibilities in accordance with its approved mandate.
	Listed entities shall establish and maintain a formal procedure for the appointment of new Directors to the Board through the Nominations and Governance Committee	The Company has established a formal procedure in the Board Charter for the selection, nomination, appointment, re-election, evaluation, and continuation of Directors, ensuring transparency and adherence to corporate governance best practices.
	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	The Terms of Reference (TOR) of the Committee clearly outlines its scope, roles, responsibilities, and other relevant matters.
	Composition	The Committee comprises three (03) Board members, with the majority being Non-Executive Independent Directors. The Chairperson of the Committee is an Independent Director.
	Functions	
	Disclosures in Annual Report	The Report of the Nomination and Governance Committee is presented in the Annual Report.
9.12 Remuneration Committee		
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	Complied
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	Company does not have Executive Directors at present.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	Company has established a remuneration policy for non-executive Directors. It also complies with provisions and guidelines issued by the Central Bank of Sri Lanka (CBSL) on Directors' Remuneration and Disclosure Requirements. Accordingly, members of the Board of Directors are paid a sitting fee based on their attendance at Board Meetings. In respect of Board Sub-Committee Meetings, the payment of sitting fees is limited to one meeting per month, irrespective of the number of meetings of the respective Sub-Committee held during that month.
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	The Terms of Reference (TOR) of the Human Resources and Remuneration Committee (HRRC) clearly define the scope, roles, responsibilities, and functions of the Committee.
9.12.6	Composition (1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	The Committee comprises three (03) Non-Executive Directors, of whom two (2) are Independent Directors. Not Applicable An Independent Director serves as the Chairperson of the Human Resources and Remuneration Committee.
9.12.7	Functions (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. (2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO	As the Board consists solely of Non-Executive Directors, the requirement relating to Executive Directors under this clause is not applicable. The Committee recommends the Remuneration payable to CEO, The Committee also reviews the remuneration and benefits policy of the Company and recommend changes to the Board. The Human Resources and Remuneration Committee TOR empowers the Committee to seek independent professional advice or external consultation, where necessary, in discharging its responsibilities.
9.12.8	Disclosure in Annual Report	The report of HRRC is given on pages 121 to 122
9.13 Audit Committee		
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate Committees in operation as Board Audit Committee and as Board Integrated Risk Management Committee.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place.
9.13.3	Composition	Board Audit Committee Currently consists of three Non-executive Directors. Ms. R Dulani Fernando the Chairperson, is an Non-Executive Independent Director and a fellow Member of ICASL. Refer the Committee report xx

CORPORATE GOVERNANCE REPORT (CONTD.)

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.13.4	<p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for reappointment.</p>	<p>The charter of the BAC covers all these functions.</p>
	<p>(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p>	<p>This is not applicable as the Auditor General or a firm appointed by AG acts as the Auditor of the Company.</p>
	<p>(iv) Obtain and review assurance received from:</p> <p>(a) the CEO and the CFO that the financial records have been properly maintained and the Financial Statements give a true and fair view of the Entity's operations and finances; and</p>	<p>Assurance Obtained from CEO/CFO</p>
	<p>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</p>	<p>Assurance obtained Quarterly Financial Statements as well as year end Financial Statements are discussed and recommended to the Board for approval by the Board Audit Committee. Detailed discussions focusing on major judgmental areas, changes in accounting policies, significant audit judgments in the Financial Statements, going concern assumption, and compliance with Accounting Standards and other legal requirements take place, and required clarifications are obtained in respect to all areas before recommending for Board's approval.</p>
	<p>(v) Review the internal controls in place to prevent the leakage of material information to unauthorised persons.</p>	<p>Adequate internal controls including data classification and data leakage prevention mechanisms are in place.</p> <p>BIRMC and BICT committees evaluate and initiate actions on overall risk matter.</p>
	<p>(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p>	<p>Complied</p>
9.13.4	<p>(vii) Review and assess the Company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.</p>	<p>Complied</p>
	<p>(viii) Review the risk policies adopted by the Entity on an annual ba-sis.</p>	<p>Company's Risk Assessment and mitigation primarily comes under the BIRMC.</p>

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
	(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.	Please refer to response under VIII above
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	Auditor General or any other firm appointed by AG functions as the Auditor of the Company. Internal Audit effectiveness, independence, performance and objectivity reviewed by the Board Audit Committee.
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	A policy is in place to address these provisions
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	No such circumstances arisen. Complied
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	No such circumstances arisen.
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	Functions relating to risks are clearly stipulated under the Terms of Reference of the Board Integrated Risk Management Committee.
9.13.5	Disclosures in Annual Report	
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.	The Report of the Board Audit Committee is given on pages 109 to 111
	(2) The Audit Committee Report shall contain the following disclosures:	
	(a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);	Complied
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	Complied
	(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.	Complied
	(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.	Complied
	(e) Whether the listed entity has a formal Audit Charter	Complied
	(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;	Complied. Please refer to the Audit Committee Report
	(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;	Please refer to the Audit Committee Report

CORPORATE GOVERNANCE REPORT (CONTD.)

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.13.5	(h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and	Complied. Auditor General function as the Auditor of MBSL
	(i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.	Complied. In terms of section 11 (2) of National Audit Act Auditor General Appoints the external Auditor.
9.14 Related Party Transactions Review Committee		
9.14.1	Listed Entities shall have a related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rule	The Company has established a Board Related Party Transactions Review Committee (BRPTRC) to ensure that all related party transactions are reviewed in accordance with applicable regulatory and governance requirements.
9.14.2	Composition	The BRPTRC comprises three (3) Non-Executive Directors, the majority of whom are Independent Directors. The Chairperson is an Independent Director.
9.14.3	Functions	The scope, roles, responsibilities, and functions of the Committee are defined in the Board-approved Terms of Reference (TOR). Please refer to the Committee Report - Page No. 112.
9.14.4	General Requirements	Committee Report Page No. 112
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	All Related Party Transactions (RPTs) are reviewed by the Board Related Party Transactions Review Committee (BRPTRC) to ensure compliance with applicable governance and regulatory requirements.
9.14.6	Shareholder Approval	No Related Party Transactions requiring disclosure were recorded during the year under review.
9.14.7	Disclosures	No disclosures relating to Related Party Transactions were made during the year under review.
9.14.8	Disclosures in the Annual Report	Refer the Committee Report - Page No. 112.
9.14.9	Acquisition and Disposal of Assets from/to Related Party	No such transactions occurred during the year under review.
9.14.10	Excepted Related Party Transactions	Complied
9.16 Additional Disclosures		
	(1) Have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Please refer to the RPTRC report and Director's interest in contracts given on page 112
	(2) Have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Directors' Statement on Internal Control over Financial Reporting is given on pages 125 to 126 The Directors' Statement on Internal Control over Financial Reporting is presented in the Annual Report. Refer Pages 125.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
9.16	(3) Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; (4) Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	Please refer to Annual Report of the Board of Directors on the affairs of the Company given in the page No. 104 There were no such violations requiring disclosure.
9.17	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.	Not applicable, the Company has complied with all corporate Governance requirements during the year under review.
7.6 (i)	Names of persons who were directors of the Company during the financial year.	Complied. Please refer to "Annual Report of the Board of Directors on the Affairs of the Company". (page 104)
7.6 (ii)	Principal activities of the Company and its Subsidiaries during the year and any changes therein.	Complied Please refer "Annual Report of the Board of Directors on the Affairs of the Company" (page 104)
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Complied Please refer "Shareholder Information " on pages 251 to 252 for the 20 largest holders of voting shares. The Company has not issued any non-voting shares.
7.6 (iv)	The public holding percentage.	Please refer "Shareholder Information " on page 251
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year.	Please refer "Shareholder Information " on pages 250 to 251.
7.6 (vi)	Information pertaining to material foreseeable risk factors.	Please refer "Risk Management Report" on page 45
7.6 (vii)	Details of material issues pertaining to employees and industrial relations.	Please refer "Management Discussion and Analysis" on pages 30 to 42.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties.	Please refer "Note 29 and 30" to the "Financial Statements".
7.6 (ix)	Number of shares representing the stated capital.	Please refer "Note 41" to the "Financial Statements" on 'Capital'.
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Please refer "Shareholder Information " on pages 250 to 251.
7.6 (xi)	Ratios and market price information on: EQUITY 1. Dividend per share. 2. Dividend payout. 3. Net asset value per share. 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year). DEBT 1. Interest rate of comparable government security. 2. Debt/equity ratio. 3. Interest cover. 4. Quick asset ratio. 5. The market prices & yield during the year. 6. Changes in credit rating.	No dividend has been declared for the year. No dividend has been declared for the year. Please refer "Statement of Financial Position". Please refer "Shareholder Information " on page 251 Please refer "Debenture Information". Please refer "Decade at a Glance". Please refer "Decade at a Glance". Please refer "Decade at a Glance". Please refer "Debenture Information". Please refer "Debenture Information".
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Please refer "Note 30" to the "Financial Statements" page 200
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement.	Not Applicable The Company has not raised funds through a public issue, a rights issue or a private placement during the year 2025.

CORPORATE GOVERNANCE REPORT (CONTD.)

CSE Rule No.	Governance Requirement	Status of Compliance in year 2025/Explanations
7.6 (xiv)	Information in respect of Employee Share Option Schemes or Employee Share Purchase Schemes.	The Company does not have any Employee Share Option Schemes or Employee Share Purchase Schemes at present.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules.	This report provides the disclosures referred to in the Section 9
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	No such related party transactions took place during the year.

Section II

Finance Companies (Corporate Governance) Direction No. 5 of 2021 for Licensed Finance Companies in Sri Lanka

Section	Governance Requirement	Extent of Compliance in 2025
1	BOARD'S OVERALL RESPONSIBILITIES	
1(1)	The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.	Complied Please refer Direction 1(2) to 1(7) below"
1(2)	Business Strategy and Governance Framework	
a)	Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	a) Complied. The Board ensures the development and implementation of a three-year strategic plan with measurable goals, which is updated annually, The Board regularly measures corporate performance against pre-determined strategic and financial targets.
b)	Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	b) Complied. The Company has established a comprehensive Governance Framework designed to comply with the requirements of the Central Bank of Sri Lanka, the Colombo Stock Exchange, and other applicable regulatory bodies. Strategy and governance-related matters are discussed at each Board Meeting under a dedicated agenda item.
c)	Assessing the effectiveness of its governance framework periodically.	c) Complied. The policies, procedures, and Terms of Reference (TORs) of the Board Sub-Committees and Management Committees are periodically submitted to the Board for review, together with the recommendations of Management and the respective Committees. In addition, the Delegation of Authority, Corporate Structure, and Human Resource Management Systems are periodically reviewed by the Board.
d)	Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	d) Respective roles and responsibilities are clearly defined in the Board Charter to ensure an appropriate balance of authority and accountability.

Section	Governance Requirement	Extent of Compliance in 2025
1(3)	Corporate Culture and Values	
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	a) Complied. The Board of Directors plays a vital role in setting the right tone at the top, collectively driving toward achieving the right professional and ethical conduct aligned with the corporate values.
	b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	b) Complied. The Board provides leadership and guidance to foster an appropriate corporate culture and ethical standards through key governance instruments such as the Code of Conduct, Directors' Code of Ethics Board Charter, whistle blower policy and the Related Party Transactions Review Policy.
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	c) Complied. Environmental, Social, and Governance (ESG) considerations have been incorporated into the Company's strategic planning framework.
1(3)	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	d) Complied. A Board-approved Communication Policy is in place to facilitate effective communication with stakeholders.
1 (4)	Risk Appetite, Risk Management and Internal Controls	
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	a) Complied. The Board approved RAS is available, which is reviewed annually.
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	b) Complied. Implementation of the Risk Policy is monitored by the Integrated Risk Management Committee (IRMC) and the Board through a well-structured Risk Reporting mechanism.
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	c) Complied. The Audit Committee assesses the adequacy and the effectiveness of the Company's internal control systems and management information systems. On direction and recommendation of the Audit Committee the Board continuously review the internal control systems and management information systems to identify any gaps. The Directors' Responsibility Statement on Internal Control over Financial Reporting is validated by the external auditors each year.
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	d) Complied. The Board approved Business Continuity Management Policy and Disaster Recovery Plan are available. Periodic tests are done to ensure the robustness of the plan. Plan is updated based on the test results.
1 (5)	Board Commitment and Competency	
	a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	a) Complied. All Directors have confirmed that they devote sufficient time on dealing with the matters relating to the Company.

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
1 (5)	b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	b) Complied. Directors possess qualifications and experience with credible track records and have necessary skills to bring an independent judgment to bear on issues of strategy performance and resources. Brief profiles of the Directors are given on pages 10 to 50 of this Annual Report.
	c) The Board shall regularly review and agree the training and development needs of all the members.	c) Complied. The Board Charter includes provisions for the training and development of Directors. Directors participate in training programs, forums, and professional development sessions conducted by institutions such as the Central Bank of Sri Lanka and the Colombo Stock Exchange.
	d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	d) Complied. An annual self-assessment process is carried out covering individual Directors, the Board as a whole, and Board Sub-Committees. Records of these evaluations are maintained by the Company Secretary.
	e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	e) Complied. The Board Charter provides Directors with the right to seek independent professional advice at the expense of the Company, where necessary to discharge their duties effectively.
1 (6)	Oversight of Senior Management	
	a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	a) Complied. The Board has clearly defined senior management hierarchy.
	b) Defining the areas of authority and key responsibilities for the senior management.	b) Complied. Areas of authority and Key Responsibilities of the Senior Management are included in the respective job descriptions and Delegation of Authority.
	c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	c) Complied.
d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	d) Complied. Senior Management regularly presents reports and updates to the Board on matters within their areas of responsibility. The Board may also invite relevant Senior Management personnel to attend Board meetings to provide clarifications or explanations on operational matters. Senior Management personnel responsible for risk management, internal controls, and compliance attend meetings of the Integrated Risk Management Committee (IRMC). Oversight of the Internal Audit Department (IAD) has been delegated by the Board to the Audit Committee.	

Section	Governance Requirement	Extent of Compliance in 2025
1 (6)	<p>e) Ensuring the FC has an appropriate succession plan for senior management.</p> <hr/> <p>f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.</p>	<p>e) A succession plan approved by the Board is available. HRRC has oversight over this process. Human Resources Department is vested with the responsibility of revising and keeping the succession planning process up to date.</p> <hr/> <p>f) Complied. The Board meets the Senior Management at the Board and Board Sub-Committee meetings on a regular basis.</p>
1 (7)	Adherence to the Existing Legal Framework	
	<p>a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.</p> <hr/> <p>b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.</p> <hr/> <p>c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>	<p>a) Complied. The Board of Directors always take due care to protect the interests and rights of all the stakeholders. This aspect has been covered in the Board Charter.</p> <hr/> <p>b) Complied. Compliance with statutory regulations and ethical standards is regularly monitored by the Board. The Compliance Officer of the Company submits a monthly compliance report which covers the compliance status of all the applicable laws, rules, regulations directions and etc.</p> <hr/> <p>c) Complied. The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka and other regulatory bodies. Further, the Company ensures that all the employees adhere to the internal policies and procedures. A Board approved Governance Framework and Communication Policy is in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator.</p>
2	GOVERNANCE FRAMEWORK	
2(1)	<p>Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.</p> <hr/> <p>a) role and responsibilities of the Board</p> <hr/> <p>b) matters assigned for the Board.</p> <hr/> <p>c) delegation of authority.</p> <hr/> <p>d) composition of the Board.</p> <hr/> <p>e) the Board's independence.</p> <hr/> <p>f) the nomination, election and appointment of directors and appointment of senior management.</p> <hr/> <p>g) the management of conflicts of interests</p> <hr/> <p>h) access to information and obtaining independent advice.</p> <hr/> <p>i) capacity building of Board members,</p> <hr/> <p>j) the Board's performance evaluation.</p> <hr/> <p>k) role and responsibilities of the chairperson and the CEO.</p> <hr/> <p>l) role of the Company secretary,</p> <hr/> <p>m) Board sub committees and their role; and</p> <hr/> <p>n) limits on related party transactions.</p>	<p>Complied.</p> <p>All these aspects of the governance framework are covered in the Board Charter.</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
3	COMPOSITION OF THE BOARD	
3(1)	The Board's shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	Complied. The Board is satisfied with the balance of skills and experience of the current Board Members.
3(2)	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	Complied. The Board comprised of Eight (08) Non-Executive Directors.
3(3)	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	Complied.
3(4)	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who is appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non-executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the Board.	Complied None of the Directors have exceeded nine years of service as of 31st December 2025
3(5)	Executive Directors	
	a) Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	a) There are no Executive Directors on the Board.
	b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	b) Not relevant/applicable.
	c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	c) Not Applicable
	d) All Executive directors shall have a functional reporting line in the organization structure of the FC.	d) Not Applicable
	e) The executive directors are required to report to the Board through CEO.	e) Not Applicable
	f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	f) Not Applicable

Section	Governance Requirement	Extent of Compliance in 2025
3(6)	Non-Executive Directors	
	a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	a) Complied. Directors' qualifications and experience are given in pages 12 to 15 of the Annual Report.
	b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	b) Complied.
3(7)	Independent Directors	
	a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.	a) Complied. The Board comprises of three (3) Non-Executive Independent Directors. Details relating to the composition of the Board are disclosed on Page 106 of the Annual Report.
	b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	b) All Independent Directors possess the necessary professional qualifications, experience, and expertise in their respective fields, enabling them to effectively contribute to the deliberations and decision-making of the Board.
	c) A non-executive director shall not be considered independent if such:	
	i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.	c) Complied.
	ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of Financial Position.	
	iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	
	iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.	
	v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.	
	vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.	
	vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director.	

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
3(7)	viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of Financial Position of the FC.	c) Complied.
	d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	d) Complied.
3(7)	e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	e) Complied. At every Board Meeting, a dedicated agenda item is included requiring Directors to make necessary disclosures relating to their independence and any potential conflicts of interest. Additionally, written declarations confirming the independence status of Directors against the prescribed criteria are obtained and are maintained in the custody of the Company Secretary.
3(8)	Alternate Directors	
	a) Representation through an alternate director is allowed only; i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.	a) Currently there are no Alternate Directors appointed.
	b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	b) Not applicable.
	c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	c) Not applicable.
	d) An alternate director cannot be appointed to represent an executive director.	d) Not applicable.
	e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.	e) Not applicable.

Section	Governance Requirement	Extent of Compliance in 2025
3(9)	Cooling off Periods	
	a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	a) Complied. Directors or CEO were not previously employed as CEO or Director of another Finance Company.
	b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	b) Complied.
3(10)	Common Directorships	
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Complied. At every Board meeting there is an item in the agenda which requires the Directors to make necessary disclosures.
3(11)	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	Complied. Other Directorships held by the Directors are given in pages 12 to 15 None of the Directors held directorships exceeding twenty (20) companies, societies, bodies, including subsidiaries and associates of the Finance Company, during the financial year.
4	ASSESSMENT OF FITNESS AND PROPRIETY CRITERIA	
4(1)	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied.
4(2)	A person over the age of 70 years shall not serve as a director of a FC.	Complied. No Director has exceeded the age limit of seventy (70) years.
4(3)	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,	These provisions are not applicable to the Company as no Director has exceeded the stipulated age limit.
	a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	
	b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
4(3)	<p>c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.</p> <p>d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.</p>	
5	APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT	
5(1)	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied. Resignations of Key Responsible Persons (KRPs) have been duly notified to the Director – Non-Banking Supervision, and the required approvals have been obtained.
6	THE CHAIRPERSON AND THE CEO	
6(1)	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	Complied. The responsibilities of the Chairman and the CEO are clearly defined in the Board Charter. The Chairman provides leadership to the Board, while the CEO is responsible for managing the day-to-day operations of the Company and implementing the strategies and policies approved by the Board.
6(2)	The chairperson shall be an independent director, subject to 6.3 below	Complied
6(3)	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	Partially Complied. During the month of November the Chairman was re-designated as a Non- Executive / Non- Independent Directors following his appointment to a MBSL Subsidiary Accordingly, Ms. R. Dulani Fernando was appointed as the Senior Independent Director (SID) of Merchant Bank of Sri Lanka & Finance PLC with effect from 13 January 2026.
6(4)	Responsibilities of the Chairperson shall at least include the following:	
	a) Provide leadership to the Board.	Complied.
	b) Maintain and ensure a balance of power between executive and non-executive directors.	Approved Board Charter sets out the responsibilities of the Chairperson as given in 6(4).
	c) Secure effective participation of both executive and non-executive directors. d) Ensure the Board works effectively and discharges its responsibilities.	
	e) Ensure all key issues are discussed by the Board in a timely manner.	
	f) Implement decisions/directions of the regulator.	
	g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company secretary.	

Section	Governance Requirement	Extent of Compliance in 2025
6(4)	<p>h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities.</p> <p>i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.</p>	
6(5)	Responsibilities of the CEO	
	<p>The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include:</p> <p>a) Implementing business and risk strategies in order to achieve the FC's strategic objectives.</p> <p>b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions.</p> <p>c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.</p> <p>d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.</p> <p>e) Strengthening the regulatory and supervisory compliance framework.</p> <p>f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.</p> <p>g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.</p>	<p>Complied.</p> <p>CEO's job description covers all these responsibilities</p>
7 MEETINGS OF THE BOARD		
7(1)	<p>The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.</p>	<p>Complied.</p> <p>Seventeen (17) meetings were held during the year.</p>
7(2)	<p>The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.</p>	<p>Complied.</p> <p>The Board Charter includes a provision in this regard.</p>
7(3)	<p>A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.</p>	<p>Complied.</p> <p>The dates of Board Meetings are agreed upon in advance by the members of the Board and included in the Annual Meeting Calendar. Notices and relevant papers are circulated to the Directors well in advance through the Board PAC system.</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
7(4)	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied. Directors attend the meetings well prepared and devote sufficient time.
7(5)	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	Complied. Please refer page 60 of the Annual Report. All meetings of the Board held during the year have been attended by the required number of independent directors.
7(6)	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	Complied. The Company does not have Executive Directors
7(7)	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	In the Approved Board Charter there is a specific provisions to avoid conflicts of interest. Directors' interests are disclosed to the Board at the beginning of each meeting of the Board. If a Director has an interest in a particular matter he/she abstains from voting for that matter and he/she is not counted in the quorum.
7(8)	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	Complied. Details of the Directors attendance is set out on page 60 of the Annual Report 2025. No Director has violated this requirement during the financial year 2025.
7(9)	Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Complied.
8	COMPANY SECRETARY	
8(1)	a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	Complied. Company Secretary is a member of Senior Management of the FC, has been designated in Chief Manager Grade.
	b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	Complied.

Section	Governance Requirement	Extent of Compliance in 2025
8(2)	All directors shall have access to advice and services of the Company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	Complied. All Directors have access to the advice and services of the Company Secretary. Approved Board Charter provides for same.
8(3)	The Company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied.
8(4)	The Company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied. Board Minutes are maintained by the Company Secretary.
8(5)	The Company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Complied.
8(6)	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied. Minutes of Board Meetings are recorded in sufficient detail to enable proper assessment to be made of the depth of deliberations at the meeting.
8(7)	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied. The Directors have access to the Board papers and minutes at a reasonable notice given. Board Charter has specifically provided for the said requirement of the Directors..
9	DELEGATION OF FUNCTIONS BY THE BOARD	
9(1)	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	Complied. Approved Board Charter includes a provision for delegation of powers by the Board. Board Charter also includes a provision for the matters reserved for the Board.
9(2)	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Complied. All the Board Subcommittees required by the Direction have been established.

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
9(3)	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied. Management level sub committees have been established and the matters have been delegated to them by the Board with appropriate Delegation of Authority.
9(4)	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied. The Board has delegated matters pertaining to the affairs of MBSL to the Board Sub Committees within scope of the respective Board approved Terms of Reference.
9(5)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	Complied. Delegation of Authority is subject to review as and when necessary.
10	BOARD SUB-COMMITTEES	
10(1)	<p>a) For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of Financial Position as FCs with asset base of more than Rs. 20 Bn and FCs with asset base of less than Rs. 20 Bn, subject to transitional provisions stated in direction 19.3.</p> <p>b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.</p> <p>c) The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.</p> <p>d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.</p> <p>e) Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.</p> <p>f) The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.</p>	<p>a) Complied. MBSL has an asset base exceeding Rs. 20 Bn. The Company has established the following six Board sub committees.</p> <ol style="list-style-type: none"> 01. Audit Committee 02. Integrated Risk Management Committee. 03. Related Party Transactions Review Committee 04. Human Resources & Remuneration Committee 05. Nomination and Governance Committee 06. Information and Communication Technology Committee. <p>b) Complied. For each Board Sub Committee, Board approved written Terms of Reference (TOR) is in place.</p> <p>c) A Report from each Board Sub Committee has been published in this Annual Report. Please refer pages from 109 to 122.</p> <p>d) The Company Secretary acts as the Secretary to all Board Sub-Committees, facilitating effective governance and ensuring proper documentation of committee deliberations.</p> <p>e) Complied. Please refer page 60 for the composition of the Board Sub committees and refer pages from 12 to 15 for the profiles of the Board Members.</p> <p>f) Complied.</p>

Section	Governance Requirement	Extent of Compliance in 2025
10.2	Board Audit Committee (BAC)	
	The following shall apply in relation to the BAC.	
	<p>a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.</p>	<p>The Board appointed Independent Non Executive Director Ms. R Dulani Fernando as the Chairperson of the BAC. She is a Fellow Member of both the Institute of Chartered Accountants of Sri Lanka and the Association of Chartered Certified Accountants (UK). Ms. R Dulani Fernando is a highly skilled professional with over 26 years of experience relevant to the profession.</p>
	<p>b) The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.</p>	<p>All three members of the Board Audit Committee are Non-Executive Directors and two of them are independent.</p>
	<p>c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).</p>	<p>Board Secretary functions as the Secretary for BAC.</p>
	<p>d) External Audit Function</p>	
	<p>i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.</p>	<p>As Auditor General functions as the Auditor of MBSL. BAC has no discretion for the appointment of external auditor.</p>
	<p>ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.</p>	<p>Complied. Please refer response under d) 1 above. As the AG decides on the appointment of an Auditor on his behalf, BAC ensures the compliance on this rule.</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
10.2	<p>iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.</p>	Complied.
	<p>iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	Complied.
	<p>v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.</p>	A Board policy on obtaining non-audit services is in place.
	<p>vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.</p>	Complied.
	<p>vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the Financial Statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements,</p>	Complied. Quarterly and Annual Financial Statements are presented to BAC for review prior to submission to the Board. A detailed discussion focused compliance with Accounting Standards and other legal requirements take place, major judgemental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumption, and required clarifications are obtained in respect to all areas before being recommended for Board's approval.
	<p>viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary,</p>	Complied. There were three closed door meetings held with the auditors in respect of the financial year 2025, in the absence of senior management.

Section	Governance Requirement	Extent of Compliance in 2025
10.2	ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	Complied.
	e) The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Complied. Monitored through review of audit reports and implementation of recommendations. Further, the effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 125 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting"
	f) The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC	Complied. Findings reported by internal auditors and statutory auditors are discussed at BAC meetings. Further, the BAC reviews the time bound action plans and the status of rectification at monthly BAC meetings.
	g) Internal Audit Function	
	i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	An in-house Internal Audit Function is in place.
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Complied.
	iii. The BAC shall take the following steps with regard to the internal audit function of the FC:	Complied
	(i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.	Complied.
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	Complied.
	(iii) Assess the performance of the head and senior staff members of the internal audit department.	Complied.
	(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.	Complied. AGM -IA reports to the BAC and his performance is evaluated by the BAC.
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	Complied. In accordance with the approved audit plan, the required audits were carried out by the Internal Audit Division.
	(vi) Examine the major findings of internal investigations and management's responses thereto.	Complied.

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
10.2	<p>h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.</p>	Complied.
	i) Meetings of the Committee	
	<p>i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>	Complied.
	<p>ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.</p>	Complied.
	<p>iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.</p>	Complied. Close door meetings were held on 17th of February 2025, 14th of May 2025 and 11th of December 2025.
10.3	Board Integrated Risk Management Committee (BIRMC)	
	The following shall apply in relation to the BIRMC:	
	<p>a) The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.</p>	The Committee is chaired by an Independent Director. The CEO and CRO attend all IRMC meetings and other CMC members are invited to the meetings when requested by the Committee. The members of the Committee are from sound background in the field of Audit, Finance and banking
	<p>b) The secretary to the committee may preferably be the CRO.</p>	Company Secretary functions as the secretary to BIRMC.
	<p>c) The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.</p>	Complied The Committee assesses the Company risks covering all these areas.
	<p>d) Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.</p>	Complied. Approved RAS is monitored by the CRO and reported to the BIRMC on ongoing basis. RAS is subjected to annual review.

Section	Governance Requirement	Extent of Compliance in 2025
10.3	e) The BIRMC shall review the FC's risk policies including RAS, at least annually.	Complied. BIRMC reviews the FC's risk policies including RAS, at least annually.
	f) The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied. The BIRMC assesses the adequacy of the operational level committees periodically.
	g) The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Complied. Business Continuity and Disaster Recovery plans are subject to annual review.
	h) BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied.
	i) Compliance Function	
	i. BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	Complied. Company has established an independent division headed by a dedicated Compliance Officer.
	ii. For FCs with asset base of more than Rs. 20 Bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	Complied. The Compliance Officer is independent from day-to-day management functions and there is no 'dual hatting'.
	iii. For FCs with asset base of less than Rs. 20 Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not applicable.

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
10.3	<p>iv. The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity,</p>	<p>Complied Process and procedures were developed and put into place to eliminate regulatory breaches, and the entire process is being carried out in accordance with the annual compliance plan approved by the Board, and BIRMC examines progress on a bi-monthly basis.</p>
	j) Risk Management Function	
	<p>i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC</p>	<p>Complied. The company has already established an Independent Risk Management function.</p>
	<p>ii. For FCs with asset base of more than Rs.20 Bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.</p>	<p>Complied.</p>
	<p>iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.</p>	<p>Complied.</p>

Section	Governance Requirement	Extent of Compliance in 2025
10.3	iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: <ul style="list-style-type: none"> (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. 	Complied. Board approved Risk Management Policy framework is in place.
	v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Complied.
	vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Complied. Comprehensive updates are shared with the IRMC periodically.
	vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	Complied. The Risk Assessment Reports are submitted to the upcoming Board meeting periodically.
10.4	Nomination & Corporate Governance Committee	
	The following shall apply in relation to the Nomination Committee:	
a)	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Committee is comprised entirely of Non-Executive Directors, with the majority being Independent Directors, thereby ensuring objective oversight and adherence to good corporate governance practices. The reports of the respective Sub-Committees are presented in the Annual Report on pages 114 to 115
b)	Secretary to the nomination committee may preferably be the Company secretary.	b) Complied Company Secretary is the secretary of the Committee.
c)	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	c) The Company has established a formal procedure, set out in the Board Charter, governing the selection, nomination, appointment, re-election, evaluation, and continuation of Directors. This process ensures transparency, accountability, and compliance with corporate governance best practices.
d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	d) The Committee ensures that this has complied with the terms of Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons)

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
10.4	e) The selection process shall include reviewing whether the proposed directors <ul style="list-style-type: none"> (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities. 	e) Complied. The Nomination and Governance Committee reviewed the nominations in accordance with the criteria specified in the Finance Business Act to determine whether the candidates satisfy the 'Fit and Proper' requirements.
	f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	f) Complied
	g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	g) Complied.
	h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the Company secretary to disclose to shareholders: <ul style="list-style-type: none"> (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent. 	h) Complied. When a new Director is appointed upon obtaining approval from CBSL announcement is made to CSE with a brief resume including their expertise, experience, professional and academic qualifications.
	i) The committee shall consider and recommend (or not recommend) the reelection of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	i) Complied
	j) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management	j) Complied
	k) A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	k) Complied

Section	Governance Requirement	Extent of Compliance in 2025
10.5.	Human Resource and Remuneration Committee	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
	a) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	Complied The Human Resources and Remuneration Committee (HRRC) consists of four (4) members, of whom two (2) are Independent Directors. Further details are disclosed in the Human Resources and Remuneration Committee Report (Pages from 121 to 122).
	b) The secretary to the human resource and remuneration committee may preferably be the Company secretary.	Complied.
	c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	Complied. The remuneration of Senior Management is determined in accordance with the Board-approved Remuneration Policy. The Company has adopted the Directors' Remuneration framework in line with the guidelines issued by the Central Bank of Sri Lanka relating to Directors' Remuneration and Disclosure Requirements.
	d) There shall be a formal and transparent procedure in developing the remuneration policy.	Complied Remuneration Policy reviewed and recommended by HRRC is in place.
	e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	Complied Policy is being reviewed periodically
10.5.	f) The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take excessive risk or to act in self-interest.	Complied. Incentives schemes that are designed to motivate and achieve superior performance are subject to approval by the HRRC and the Board. Checks and balances in place to safeguard excessive risk and self-interest.
	g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	The performance of Senior Management, excluding the Head of Internal Audit, Head of Risk Management, and Head of Compliance, is reviewed by the Committee against approved Key Performance Indicators (KPIs) and performance goals.
	h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied.

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
11	INTERNAL CONTROLS	
11(1)	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied. Well defined internal control systems have been established covering all these areas. The Company has deployed procedures for all its business activities and are periodically reviewed. Internal control policies and procedures to mitigate the risks associated with such business processes are duly incorporated into those manuals with ongoing reviews.
11(2)	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimise the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	Complied. Objectives of each internal control process/procedure cover these aspects. The Board Audit Committee assists the Board in ensuring that company has proper internal controls. Internal Audit Department support the process via their regular audits. BIRMC ensure effective risk management of the FC
11(3)	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Complied. Clear responsibilities for control activities are identified in Business Procedure Manuals.
12	RELATED PARTY TRANSACTIONS	
12(1)	Board shall establish a policy and procedures for related party transactions, which covers the following. a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors. b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	Complied. The Company has established a Related Party Transactions Review Committee (RPTRC) to review and oversee all related party transactions. An Independent Director serves as the Chairperson of the Committee. Complied
12(1)	c) The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation. ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	The Board-approved Related Party Transactions Policy clearly defines the types of related party transactions in line with the applicable regulatory requirements.

Section	Governance Requirement	Extent of Compliance in 2025
12(2)	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <ul style="list-style-type: none"> a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa. d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC’s directors, senior management or a relative of any of the FC’s director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest. 	<p>A list of related parties, as defined under relevant regulations, has been compiled and made available to relevant managers and staff to prevent conflicts of interest and facilitate appropriate reporting.</p>
12(3)	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	<p>Complied. A well-structured process and procedures are in place to monitor/prevent such instances given in (a) to (e)</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
13.	GROUP GOVERNANCE	
13(1)	Responsibilities of the F C as a Holding Company	
	a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.	Board approved Group Governance Policy is in place.
	b) The Board of the FC shall:	
	i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.	
	ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework.	
	iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.	
	iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and	
	v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.	
13(1)	c) The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.	
	d) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.	
	e) The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	

Section	Governance Requirement	Extent of Compliance in 2025
13(2)	Responsibilities as a Subsidiary If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	Complied
14	CORPORATE CULTURE	
14(1)	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	A code of conduct covering these areas is in place and made available to all employees.
14(2)	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied.
14(3)	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied. Company has deployed a well-defined Whistleblowing policy which is displayed at every branch allowing internal and external parties to report unethical, fraudulent and illegal activities. All incidents are investigated and reported to the BAC.
15	CONFLICTS OF INTEREST	
15(1)	<p>Relationships between the directors shall not exercise undue influence or Interest coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting,</p> <p>b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,</p>	<p>Directors are required to disclose any conflicts of interest at Board Meetings. A specific agenda item is included in each Board Meeting for this purpose.</p> <p>Under the Related Party Transactions Policy, any Director who has a material interest in a matter under consideration is required to abstain from voting and is not counted towards the quorum for that item.</p> <p>The Company has established a Board-approved Policy on Potential Conflicts of Interest to ensure transparency and integrity in decision-making.</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
15(1)	<ul style="list-style-type: none"> i. Identify circumstances which constitute or may give rise to conflicts of interests. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed. 	Board approved policy on Potential Conflicts of interest is in place.
16	DISCLOSURES	
16.1	The Board shall ensure that:	Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.
	(a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.	
	(b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	Complied. Financials statements are published in the newspapers in Sinhala, Tamil and English
	i. Financial statements	
	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,	
	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Please refer "Directors responsibility for financial reporting" page 128.
	A statement of responsibility of the Board in preparation and presentation of financial statements.	Please refer "Directors responsibility for financial reporting" page 128

Section	Governance Requirement	Extent of Compliance in 2025
16.1	<p data-bbox="243 268 844 304">ii. Chairperson, CEO and Board related disclosures</p> <p data-bbox="243 310 844 493">Name, qualification and a brief profile. Whether executive, non-executive and/or independent director. Details of the director who is serving as the senior director, if any. The nature of expertise in relevant functional areas.</p> <p data-bbox="243 535 844 682">Relatives and/or any business transaction relationships with other directors of the Company. Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.</p> <p data-bbox="243 724 844 787">Number/percentage of Board meetings of the FC attended during the year; and</p> <p data-bbox="243 819 844 882">Names of board committees in which the director serves as the Chairperson or a member.</p>	<p data-bbox="860 336 1502 399">Please refer the Profiles of the Directors on pages from 12 to 15 of this Annual Report.</p> <p data-bbox="860 535 1502 598">Please refer Note 43 to the “Related party transactions” on page 218.</p> <p data-bbox="860 724 1502 756">Please refer pages from 12 to 15 of this Annual Report.</p> <p data-bbox="860 819 1502 882">Please refer the Profiles of the Directors on page 12 and committee reports page 60.</p>
	<p data-bbox="243 892 844 924">iii. Appraisal of board performance</p> <p data-bbox="243 934 844 987">An overview of how the performance evaluations of the Board and its committees have been conducted.</p>	<p data-bbox="860 934 1502 1144">Please refer page 62 in CG report. Each Director and CEO carry out a self-assessment, assessment of Chairman and Board Sub Committees. Whereas The Chairman evaluates the CEO and all Directors. All records of assessments are kept in the custody of the Company Secretary. A summary of the self-assessment is submitted to the Board for the review and discussion.</p>

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
16.1	<p>iv. Remuneration</p> <p>A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</p> <p>The aggregate values of remuneration paid by the FC to its directors and senior management.</p>	<p>Please refer Note 43c on page 218. Also please refer the Report of the Human Resources and Remuneration Committee on page 121.</p> <p>Please refer Note 43c on page 218</p>
	<p>v. Related party transactions</p> <p>The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.</p> <p>Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.</p> <p>The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.</p>	<p>Each Director submits quarterly declarations disclosing related party relationships and potential conflicts.</p> <p>Based on these declarations, no financial, business, family, or other material relationships exist between the Chairperson and the CEO or among Board members, except for BOC nominee Directors who are employees of the same institution.</p> <p>Please refer Note 43 to the "Related party transactions" on pages 218.</p> <p>Please refer Note 43 to the "Related party transactions" on pages 218.</p>
	<p>vi. Board appointed committees</p> <p>The details of the chairperson and members of the board committees and attendance at such meetings.</p>	<p>Please refer page 60 of this Annual Report.</p>
	<p>vii. Group Structure</p> <p>The group structure of the FC within which it operates. The group governance framework.</p>	<p>Please refer Note 1 to the "Group Structure" on page 140.</p>
	<p>viii. Director's report</p> <p>A report, which shall contain the following declarations by the Board:</p> <p>The FC has not engaged in any activity, which contravenes laws and regulations.</p> <p>The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.</p> <p>The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.</p> <p>The business is a going concern with supporting assumptions; and</p>	<p>Please refer the Annual report of the Board of Directors on the Affairs of the Company on page 104 of this Annual Report.</p> <p>Please refer Note 43 to the "Related party transactions" on page 220.</p> <p>The Board Charter specifically addresses the fair treatment of stakeholders.</p> <p>The Company ensures the protection of stakeholder interests, particularly depositors, through mechanisms such as the Customer Protection Framework and the Whistleblowing Policy.</p>

Section	Governance Requirement	Extent of Compliance in 2025
16.1	The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Please refer the Annual report of the Board of Directors on the Affairs of the Company on page 104 of this Annual Report. Please refer Directors' Responsibility Statement on Internal Control Over Financial Reporting on page 125
	ix. Statement on Internal Control	
	A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Please refer Directors Responsibility Statement on Internal Control Over Financial Reporting on page 125.
	The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.	Please refer Directors Responsibility Statement on Internal Control Over Financial Reporting on page 125.
	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	Please refer the Corporate Governance Report on page 58 and the Annual Report of the Board of Directors on the affairs of the Company on page 104.
	A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions	Please refer Risk Management Report (Compliance Risk section) on page 45.
	x. corporate governance report	
	Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Please refer the Corporate Governance Report on page 58 of this Annual Report. External Auditors have issued an independent assurance report confirming that the Company has complied with the Corporate Governance Direction No. 05 of 2021.
	xi. Code of Conduct	
	FC's code of business conduct and ethics for directors, senior management and employees.	Disclose on page 58 in CG Report. Complied.
	The Chairperson shall certify that the company has no violations of any of the provisions of this code.	
	xii. Management report	

CORPORATE GOVERNANCE REPORT (CONTD.)

Section	Governance Requirement	Extent of Compliance in 2025
16.1	Industry structure and developments Opportunities and threats Risks and concerns Sustainable finance activities carried out by the company Prospects for the future	Please refer "Management Discussion and Analysis" on page 30.
	x. Corporate governance report	
	Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Please refer the Corporate Governance Report on page 58 of this Annual Report. External Auditors have issued an independent assurance report confirming that the Company has complied with the Corporate Governance Direction No. 05 of 2021.
	xi. Code of Conduct	
	FC's code of business conduct and ethics for directors, senior management and employees.	Disclose on page 58 in CG Report.
	The Chairperson shall certify that the Company has no violations of any of the provisions of this code.	Complied.
	xii. Management report	
	Industry structure and developments Opportunities and threats Risks and concerns Sustainable finance activities carried out by the Company Prospects for the future	Please refer "Management Discussion and Analysis" on page 30.
	xiii. Communication with shareholders	
	The policy and methodology for communication with shareholders.	The Company has adopted a Board-approved Communication Policy covering all key stakeholders including depositors, creditors, shareholders, and borrowers.
	The contact person for such communication.	The Board of Directors, officers, and employees adhere to this policy to ensure transparent and effective communication. The modes of communication with shareholders are the Annual Report, Quarterly Reports, and formal notices issued to shareholders.

Navigating the Clouds

The journey is not without turbulence, but every cloud presents a lesson in resilience. By adapting our strategies and embracing change, we navigate through challenges, keeping our vision of a brighter future in sight.



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

General

The Board of Directors present this report to the shareholders as required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder, and the Listing Rules of the Colombo Stock Exchange. This Report was approved by the Board of Directors on 28th April 2026.

The Board of Directors confirm that the Audited Financial Statements included in this Annual Report and the significant accounting policies and notes thereto have been prepared and presented with the relevant disclosures in accordance with the Sri Lanka Accounting Standards and other applicable regulatory requirements.

This report includes the information that requires under Section 168 of the Companies Act No. 07 of 2007 or references if the information is published elsewhere in the Annual Report.

	Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference (section of the Companies Act No. 7 of 2007)	Page references and other disclosures
ii	The nature of the business of the Company and the Group together with any change thereof during the accounting period and the classes of business in which the Company has an interest.	Section 168 (1) (a)	Refer on page 140
ii	Signed Financial Statements of the Company and the Group for the accounting period completed.	Section 168 (1) (b)	Refer on page 136
iii	Auditors' Report on the Financial Statements of the Company and of the Group.	Section 168 (1) (c)	Refer on pages from 129 to 132
iv	Accounting Policies and any changes therein (Group also included)	Section 168 (1) (d)	Refer on pages from 140 to 246
v	Particulars of the entries made in the Interest Register during the accounting period	Section 168 (1) (e)	Refer on page 107
vi	Director's fee and other benefits paid to Directors of the Company and its subsidiaries during the accounting period.	Section 168 (1) (f)	Refer on pages from 107 to 218
vii	Information on donations made by the Company during the accounting period.	Section 168 (1) (g)	Refer on page 107
viii	Names of Directors of the Company as at the end of the accounting period and the names of persons who ceased to hold office as Directors during the accounting period.	Section 168 (1) (h)	Refer on page 106
ix	Disclosure on amounts payable to the Auditor as Audit Fees and a separate disclosure on amounts payable to the Auditor as Fees for other services rendered during the accounting period.	Section 168 (1) (i)	Refer on pages from 107 to 160
x	Particulars of the Auditors' relationship with the Company and/or any of its subsidiaries (other than that of Auditor) or any interest the Auditor has in the Company and/or its Subsidiaries.	Section 168 (1) (j)	Refer on page 107
xi	Acknowledgement of the contents of this Report/Signatures on behalf of the Board by any two Directors and the Company Secretary	Section 168 (1) (k)	Refer on page 108

Vision, Mission and Corporate Conduct

The Company's vision, mission, and values are given on page 3 of this Report.

Principal Activities

The Company is a registered Finance Leasing Company under the provisions of the Finance Leasing Act No. 56 of 2000 and a Finance Company licensed by the Monetary Board of Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011. The Company is also a registered Market Intermediary coming under the Securities and Exchange Commission of Sri Lanka under the categories of (i) Margin Provider (ii) Underwriter and (iii) Investment Manager. MBSL has a subsidiary and an associate Company namely, MBSL Insurance Company Limited and Lanka Securities (Private) Limited respectively, which collectively constitute the Group.

The principal activities of the Company are leasing, corporate and retail credit, margin trading, micro financing, agricultural credit facilities, real estate, gold loan, corporate advisory services, capital market operations and accepting of savings and fixed deposits, and the provision of other related financial services.

The principal activities of the subsidiary and associate are given in Note 1.3 to the Financial Statements on page 140.

Review of Operations

A review of the operations of the Company during the financial year ended 31 December 2025 and results of those operations

are contained in the Chairman's Review on pages from 22 to 24, the Chief Executive Officer's Review on pages from 25 to 28 and Management Discussion and Analysis on pages from 30 to 45. These reports form an integral part of the Annual Report.

Future Outlook

An overview of the future plans and developments of the Company is presented in the Chairman's review on pages from 22 to 24 and in the Chief Executive Officer's Review on pages from 25 to 28 of this Annual Report.

Financial Statements of the Company and the Group

The Audited Financial Statements of the Company and of the Group for the year ended 31 December 2025 duly signed by the Chief Finance Officer, the Chief Executive Officer and approved by the Board of Directors of the Company are given on pages from 133 to 246 and form an integral part this Report of the Board.

Directors' Responsibility for Financial Reporting

The Board of Directors is responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of affairs of the Company and the Group. The Board is of the view that the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages from 133 to 246 have been prepared in conformity with the requirements of the

Sri Lanka Financial Reporting Standards (SLFRs) as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with the requirements of the Finance Leasing Act No. 56 of 2000, Finance Business Act No 42 of 2011 and Regulation of Insurance Industry Act No 43 of 2000. The 'Statement of Directors' Responsibility for Financial Reporting' appearing on page 128 forms an integral part of this Report.

Auditor's Report

The Auditor General or any person authorised by the Auditor General shall be the Auditor of the Company as Merchant Bank of Sri Lanka & Finance PLC comes under the definition of Auditee Entity under the National Audit Act No 19 of 2018. Report of the Auditor General on the Financial Statements of the Company and the Consolidated Financial Statements for the year ended 31 December 2025 is given on page 129 of this Annual Report.

Significant Accounting Policies and Changes During The Year

During the year under review, there were no changes in the accounting policies that had been adopted by the Company and the Group and were consistent with those adopted in the previous financial year as required by the Sri Lanka Accounting Standards-LKAS 01 on 'Presentation of Financial Statements' and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Significant Accounting Policies adopted in

the preparation of the Financial Statements of the Company and the Group are given on pages from 140 to 246 of the Annual Report.

Income

The income of the Company & the group for the year ended 31 December 2025 was Rs. 7,904.90 Mn and Rs. 8,347.84 Mn respectively

Financial Results and Appropriations

Details of the Company and the Group performance and appropriation of profit are given on page 133 and page 134 respectively.

Reserves

Information on the movement of reserves are given in the Statement of Changes in Equity on page 137 and in Note 42 respectively to the Financial Statements on page 216

Taxation

The Company is liable for income tax at the rate of 30% (2024-30%), VAT on Financial Services at 18% (2024-18%) and Social Security Contribution Levy (SSCL) at 2.5% (2024-2.5%).

Statutory Payments

The Board of Directors confirm that to the best of their knowledge and belief, statutory payments to all relevant regulatory and statutory authorities have been paid by the Company.

Property and Equipment

The total capital expenditure incurred on the acquisition of property and equipment and intangible assets of the Company and the Group amounted to Rs. 170.1Mn and Rs. 173.1Mn

respectively. The addition to right of use assets of the Company and the Group in the year amounted to Rs. 726.1Mn and Rs.746.2Mn respectively. The details of property and equipment of the Company are given in Note 30 and 31 to the Financial Statements on pages from 200 to 204.

Market Value of Freehold Properties

All freehold land and buildings of the Company were revalued by a professionally qualified independent valuer. The Directors are of the opinion that the carrying amount is not in excess of the current market values of the property. The details of freehold property owned by the Company are given in Note 30 to Financial Statements on pages from 200 to 204.

Issue of Shares and Debentures

The Company did not issue any shares during the financial year. The Company issued 1,000,000 unsecured redeemable subordinated debentures with a par value of LKR 100 each

Stated Capital and Debentures

The Company's Stated Capital as at 31 December 2025 was LKR 4,276.4Mn, comprising of 524,539,637 ordinary voting shares. The details of the Stated Capital are given in Note 41 to the Financial Statements on page 216.

The details of debentures outstanding as at 31 December 2025 are given in Note 35.1 to the Financial Statements on page 208.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTD.)

Capital Adequacy

Company's Tier 1 Capital and Tier 2 Capital adequacy ratios stood at 9.00 and 13.24 percent respectively which were above the stipulated ratios of 8.5 and 12.5 percent respectively.

Share Information

Information relating to earnings, net assets and market value per share is given in 'Key Figures' on page 9. Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given under the shareholder information on pages from 250 to 251.

Substantial Shareholdings

Information on Top Twenty Shareholders

Details of the top twenty shareholders percentages of their respective holdings and percentage holding of the public are given on page 251.

Directors

The names of the Directors who comprised the Board of Directors of the Company as at 31 December 2025 are given below and their attendance at the board meetings during the year is given on page 60 of the Annual Report.

Name of the Director	Executive/ Non-Executive Status	Independent /Non-Independent Status
Mr. A M A Perera - Chairman	Non-Executive Director	Non Independent
Ms. R Dulani Fernando	Non-Executive Director	Senior Independent
Mr. G A Jayashantha	Non-Executive Director	Non Independent
Mr. R M N Jeewantha	Non-Executive Director	Non-Independent
Mr. H P K Silva	Non-Executive Director	Non-Independent
Mr. A J Ismail	Non-Executive Director	Non-Independent
Mr. R L S A Rajapakse	Non-Executive Director	Independent
Mr. H M P B Herath	Non-Executive Director	Independent

Changes to the Directorate Appointments During the Year under Review

Mr. A J Ismail was appointed to the Directorate of MBSL as a Non-Executive/Non Independent Director w.e.f. 30.01.2025

Mr. W C Rodrigo was appointed to the Directorate of MBSL as a Non-Executive/Independent Director w.e.f. 20.03.2025

Mr. R L S A Rajapakse was appointed to the Directorate of MBSL as a Non-Executive/ Independent Director w.e.f. 30.05.2025

Mr. H M P B Herath was appointed to the Directorate of MBSL as a Non-Executive/ Independent Director w.e.f. 14.10.2025

Resignations During the Year under Review

Mr. J D V N Jayasinghe resigned from the Directorate of MBSL as Non-Executive/ Independent Director w.e.f. 19.02.2025.

Prof. N S PUNCHIHEWA resigned from the Directorate of MBSL as Non-Executive/ Independent Director w.e.f. 20.03.2025.

Mr. Y A Jayathilaka resigned from the Directorate of MBSL as Non-Executive/ Non Independent Director w.e.f. 23.06.2025.

Mr. W C Rodrigo resigned from the Directorate of MBSL as Non-Executive/ Independent Director w.e.f. 09.07.2025.

Appointments after 31st December 2025

None

Resignations after 31st December 2025

None

Independence of Directors

In accordance with the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, Rule 9.8.5 of the Colombo Stock Exchange (CSE) Listing Rules Ms. R Dulani Fernando, Mr. R L S A Rajapakse and Mr. H M P B Herath who are Independent Non- Executive Directors of the MBSL, have submitted signed and dated declarations as per the specimen given in appendix 9A of continuing listing requirement of CSE.

Fit & Propriety

In compliance with the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and Rule 9.7.5 of the Colombo Stock Exchange (CSE) Listing Rules, both the Board of Directors and the CEO have successfully met the fit and proper assessment criteria as at 31 December 2025. Additionally, as per the regulations of the Colombo Stock Exchange, each member of the Board has submitted a signed declaration confirming continuous satisfaction to the fit and proper assessment criteria throughout the financial year ending as at 31 December 2025.

Directors' Meetings

Details of Directors' meetings which comprised Board meetings and Board Sub-Committee meetings namely Board Audit Committee, Integrated Risk Management Committee, Human Resources & Remuneration Committee, Related Party Transactions Review Committee, Nominations & Governance Committee and Information and Communication Technology Committee and details of attendance at such meetings are presented on pages from 109 to 122.

Interests Register

In compliance with the provisions of the Companies Act No.7 of 2007, an Interests Register is maintained by the Company.

The Company's Directors have made general declarations in relation to their respective interests in transactions/ proposed transactions with the Company as provided for in section 192(2) of the Companies Act No.7 of 2007. Arising from these, details of contracts in which the Directors' have an interest are given under Note 43 to the Financial Statements on pages from 218 to 220 of the Annual Report, dealing with related party disclosures. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there are no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 05 of 2021

Directors' Remuneration

Directors' fees and emoluments paid during the year under consideration are as follows:

	Company Rs.Mn	Group Rs.Mn
Directors' Fees and Emoluments	9.0	9.3

Directors' Interest in Shares of the Company

During the year under review, Mr. A J Ismail, Non-Executive / Non-Independent Director of MBSL, announced the disposal of 12,000 shares he held as a relevant interest in the Company.

Accordingly, as of 31 December 2025, none of the Directors of the Board held shares in the Company.

Directors' Interests in Contracts or Proposed Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on page 107.

Related Party Transactions

Directors have disclosed transactions if any that could be classified as related party transactions in terms of Sri Lanka Accounting Standard - LKAS 24 - 'Related Party Disclosures', which is adopted in the preparation of the Financial Statements. This Disclosure is given in Note 43 to the Financial Statements on page 218 which form an integral part of the Annual Report of the Board of Directors.

All Related Party Transactions have been placed before the Related Party Transactions Review Committee for its review and recommendations.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party more favorable treatment than that accorded to other similar constituents of the Company.

The Directors declare that the Company is in compliance with Section 09 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year 2025.

Auditors' Remuneration and Interests in the Company / Group

The Auditor General was the Auditor of the Company during the period under review. The fee amount payable for the year ended 31 December 2025 as audit fee by the Company is Rs. 2.9Mn (2024 - Rs.2.8Mn) and the Group is Rs. 4.5Mn (2024 - Rs.4.4Mn). In addition, a sum of Rs. 0.5Mn (2024 - Rs.0.5Mn) is payable by the Company and Rs. 0.9Mn (2024 - Rs.0.9Mn) by the Group for permitted non-audit-related services.

As far as the Board of Directors are aware, the Auditors do not have any other relationship or interests in the Company or its Subsidiary or Associate.

Compliance With Laws and Regulations

The Company has not engaged in any activity contravening any laws and regulations.

Environmental Protection

The Company has used its best endeavors to comply with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

Corporate Donations

No donations were made by the Company during the year under review.

Events After the Reporting Period

Details of events after the reporting period are reflected in Note 44 to the Financial Statements on page 220.

Outstanding Litigation

In the opinion of the Board of Directors and the Company's lawyers, pending litigation against the Company is disclosed in Note 47 to the Financial Statements on page 225 will not have a material impact on the Financial Position of the Company or on its future operations.

Going Concern

The Board of Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the Board of Directors continue to adopt the going concern basis in preparing Financial Statements.

Risk Management and System of Internal Controls

Risk Management
The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. The Directors continuously review this process through the Board Integrated Risk Management Committee. Specific steps taken by the Company in managing risks are detailed in the Risk Management Report on pages from 45 to 57.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (CONTD.)

Corporate Governance

Directors' Declarations

The Board of Directors declare that:

1. The Company has complied with all applicable laws and regulations, in conducting its business and have not engaged in any activity contravening or violating relevant laws and regulations.
2. The Company has made all endeavors to ensure the equitable treatment of shareholders.
3. Effectiveness of and successful adherence to internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages from 58 to 102 of this Annual Report.
4. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.
5. Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

The Directors declare that they have acted in good faith in executing their fiduciary duties by:

1. Prioritising the Company's interests by disclosing conflicts promptly, and acting for the benefit of all stakeholders

2. Actively participating in Board activities, contributing expertise towards the advancement of organisational goals, and acting with integrity and diligence to avoid liabilities
3. Upholding the confidentiality of privileged information and Board discussions
4. Managing resources responsibly and ensuring legal and ethical behavior to safeguard the organisation's financial health and reputation.
5. Supporting Environmental, Social and Governance sustainability and encouraging innovation across operations.
6. Upholding honesty, integrity, and professionalism and adhere to the highest ethical standards and to promote a culture of transparency, fairness, and respect within the organisation
7. Not engaging in insider dealings, defined as the use of privileged information for personal gain or to benefit others at the expense of the Company
8. Adhering to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards governing the Company
9. Fostering a corporate culture of ethics and professionalism.
10. Holding themselves accountable for upholding principles and to address breaches promptly and transparently.

The measures taken and the extent to which the Company has complied with the regulations of the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange, and the Central Bank of Sri Lanka are given in the Section on 'Corporate Governance' on pages from 58 to 102.

Human Resources

The Company continued to implement appropriate Human Resource Management Policies to develop employees and optimise their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees.

Annual General Meeting

The Forty Forth (44th) Annual General Meeting of the Company will be held at The Grand Maitland, Maitland Place, Colombo 07 on 12th June 2026 at 10.00 a.m. The Notice convening the Forty Forth (44th) Annual General Meeting is given on page 268.

Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledge the contents of this Annual Report.

This Annual Report is signed for and on behalf of the Board of Directors by:



A M A Perera
Chairman



A. J Ismail
Director



Nadeeka Jayawickrama
Company Secretary

30th April 2026
Colombo

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (BAC) of the Merchant Bank of Sri Lanka & Finance PLC (MBSL) functions in terms of the Board Audit Committee Charter approved by the Board of Directors. The scope of the charter is reviewed and updated regularly taking into consideration changes in the environment, new developments in technology and other impacting factors, regulatory changes and best practices relating to the role of the Committee.

Composition of the Board Audit Committee and Attendance at Meetings

Board Audit Committee is chaired by an independent, non-executive director who specialises in the field of Finance. As such the composition aligns with the requirements specified by the regulators. During the year, based on the changes in the composition of the Board, BAC also went through changes in its composition. Details of member composition of the Board Audit committee and attendance by members during the year 2025 was as follows:

Name of the Committee Member	Membership Status	Attendance
Ms. R Dulani Fernando Chairperson	Non-Executive/Independent Director (Appointed w.e.f 14/10/2024)	17/17
Mr. A . M. A Perera Member	Chairman of the Board/Non-Executive / Independent Director (Appointed w.e.f. 10/02/2025-Ceased to be a member w.e.f. 30/05/2025 – re-appointed w.e.f 27/06/25 and ceased to be a member 18/12/2025)	13/13
Prof. N. S. Punchihewa Member	Non-Executive / Independent Director (Appointed w.e.f. 16/07/2020- Ceased to be a member w.e.f. 10/02/2025)	2/2
Mr. J. D. V. N. Jayasinghe Member	Non-Executive / Independent Director (Appointed w.e.f. 08/03/2025- Ceased to be a member 10/02/2025)	2/2
Mr. A. J Ismail Member	Non-Executive / Non-Independent Director (Appointed w.e.f. 10/02/2025)	15/15
Mr. W. C. Rodrigo Member	Non-Executive / Independent Director (Appointed w.e.f. 30/05/2025- Cease to be a member w.e.f - 27/06/2025)	1/2
Mr. H. M. P. B. Herath Member	Non-Executive / Independent Director (Appointed w.e.f. 18/12/2025)	0/0

BAC held 17 meetings in the financial year ended 31 December 2025 and the proceedings of these meetings were reported periodically to the Board, whilst drawing attention to any matters that required further deliberation by the Board.

The Secretary to the Board of Directors functions as the Secretary to the Board Audit Committee. Chief Internal Auditor plays a pivotal role in ensuring that BAC instructions and guidance is executed, and

the approved internal audit plan is met. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor attend the meetings regularly by invitation. The Heads of Divisions are invited to the meetings to seek any clarifications, when needed.

Activities of The Committee During the Financial Year 2025

Financial Reporting

- Review of financial reporting systems of the Company to ensure effectiveness and

integrity of the Financial Statements and information submitted to the Board, Management, and other stakeholders.

- Evaluating, reviewing, and monitoring the adequacy and effectiveness of the internal control systems to mitigate risks.
- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and understand their impact on the Financial Statements of the Company.

- Quarterly and annual financial statements of the Company were reviewed, discussed and recommended for Board approval prior to dissemination to the public, including the extent of compliance with Sri Lanka Accounting Standards, provisions of the Companies Act No: 7 of 2007 and required information as per Rule 7.4 of the Colombo Stock Exchange.
- The Board Audit Committee obtained assurance and approval from both the Chief Executive Officer and the Chief Financial Officer regarding MBSL operations and finances as well as quarterly and annual financial statements to further strengthen its oversight responsibility on financial reporting and internal controls.

Internal Audit

- An independent, dedicated internal audit department headed by the Chief Internal Auditor (CIA) performs the internal audit functions of MBSL. CIA reports directly to the Board Audit Committee, ensuring independence and effective execution of work.
- Board Audit Committee functions based on an Internal Audit charter that is reviewed periodically and approved by the Board.
- An annual audit plan which is risk based and considers branches as well as service departments and also draws emphasis on IT systems, procedures and policies is approved by BAC at the beginning of each year. CIA is responsible for ensuring

BOARD AUDIT COMMITTEE REPORT (CONTD.)

that internal audits are carried out based on the approved plan and BAC is provided with the necessary reports and updates. Where necessary the plan will be changed to ensure material risk areas are covered and material risk changes are addressed.

- BAC reviews the internal audit reports presented by the CIA, for findings, risk implications, management responses and recommended controls. BAC challenges and provides input during the meetings, to ensure continuous quality improvement.
- Review of performance of the Internal Audit Function and performance review of the Chief Internal Auditor on a periodic basis.
- Ensure that the Internal Audit function has the required independence to carry out its activities impartially, proficiently, and professionally.

Risk Management

- Review and assess the Company's risk management framework including the adequacy of the overall internal control environment and controls in areas of significant risk.
- Review and assess the Company's system of internal controls, designed to detect accounting and financial reporting errors and misappropriation of assets, legal violations and non-compliance.

External Audit

- Review of External Audit Report on the Financial Statements and observations and recommendations in the Management Letter and the status of corrective action plans.
- Review and confirm the independence of external auditor by obtaining statements confirming the independence of external auditor including non-audit services provided to the Company.
- The external audit is carried out by the Auditor General. The Auditor General was assisted by M/s Ernst & Young, Chartered Accountants during the year 2025. Prior to the commencement of the Audit, the Committee met with the representatives of the Auditor General and M/s Ernst & Young to discuss the audit plan, scope, and audit methodology.
- The Auditors were provided with the opportunity to meet with the Board Audit Committee without the presence of the management to ensure that auditors had the independence to discuss any matter with the Committee.

Regulatory Compliance

- Ensuring appropriate accounting policies are in place, all applicable accounting standards are adopted and adherence to statutory and regulatory compliance requirements.

- Review and follow up with the CEO, CFO and Management regarding the management letter and the commitment and responses provided. Ensuring adequate controls are in place to ensure recommended action is carried out during the agreed period and identified risks are mitigated.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Establishing processes to ensure compliance with Laws and Regulations relating to tax, customs, and other laws applicable that affect MBSL.
- Committee reviewed the effectiveness of the systems and procedures of the Company to monitor compliance with applicable laws and regulations and the reports submitted by the Compliance Officer and the onsite report submitted by the Central Bank of Sri Lanka (CBSL) on the state of compliance with the relevant laws and regulations.
- Compliance with statutory payments were also reviewed on a periodic basis.
- Statutory and regulatory compliances are a priority, and a mechanism is in place to ensure timely and effective implementation of regulatory requirements to safeguard the interests of all stakeholders. Process owners are responsible for complying with all regulations as part of their standard operating procedure.
- The Compliance Officer reviews and reports on any gaps or areas of noncompliance to the Board Audit Committee. It is also the mandate of the Compliance Officer to disseminate new regulatory requirements and request to update policies and procedure manuals to incorporate such requirements. The reports of the Compliance Officer are submitted monthly to BAC.
- A process is in place to establish new procedures / processes, or amending the existing procedures, to facilitate when new statutory or regulatory requirements come into effect. The Compliance Officer agrees on internal timelines with the respective process owners when a significant change in people, processes or systems is effected as a result of new regulations.
- The statutory examination report of CBSL and Finance Intelligence Unit (FIU) have also been reviewed during monthly BAC meetings and necessary remedial actions have been taken as agreed in the time bound action plan. The Committee is satisfied with the present status of compliance with financial reporting requirements, CBSL regulatory requirements, information requirements under CSE listing rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.

Whistle Blowing

The Company's Whistleblower Protection policy is intended to provide a channel for employees to escalate areas of non-compliance and incidents management. The Whistleblowing Policy was reviewed and approved by BAC in August 2024 to further strengthen the policy. This policy encourages employees to report unethical practices within the Company, directly to the CIA through independent communication channels.

All necessary procedures are established to conduct independent investigations into incidents reported through whistleblowing or identified through alternative means. All reported whistleblowing incidents are subject to a preliminary review by the CIA and detail reviews are conducted as appropriate. All whistle blowing complains are shared with the Board Audit Committee and reviews the reports presented by the CIA regarding investigations stemming from whistle blowing complains and ensures necessary action is taken where necessary.

Internal Controls

The BAC, with the assistance of the Internal Audit Division, reviews the implementation, adequacy and effectiveness of the Company's internal controls. The Internal Audit Department conducts continuous reviews on internal controls and the Management Information Systems, and verifies the design, application and effectiveness of established controls and

recommends improvements in its reports, which BAC reviews and evaluates prior to implementation.

BAC also reviewed the findings and recommendations of External Auditors Management Letter and the management's responses to them. Additionally, the Committee evaluates the adequacy and effectiveness of the Company's Risk management framework with the assistance of the Internal Audit Division reviews.

A process has been established to assess the effectiveness of the Company's internal controls over financial reporting.

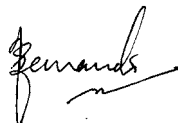
Report on the "Internal Control Systems over Financial Reporting" was reviewed and approved by the Board Audit Committee, and forms part of the Annual Report of MBSL.

Training and Development of Committee Members

Board emphasises the importance of Directors being up to date with the regulatory and environmental changes that can affect the strategy, decisions and operations of MBSL. Members of the Board Audit Committee is committed to ensuring that their required knowledge and professional development is abreast with the changes in the environment and regulatory requirements, by attending regulatory workshops, internal discussions and continuous personal development.

Evaluation of the Committee

The Board Audit Committee carried out its responsibilities within the scope of its authority as mandated by its Charter and concludes that such responsibilities have been carried out in a satisfactory manner during the financial year under review.



R. Dulani Fernando

Chairperson of the Board Audit Committee

Non-Executive/ Senior Independent Director

30th April 2026
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

For the Financial Year Ended 31 December 2025

The Related Party Transactions Committee (“the Committee”) is established pursuant to the Listing Rules of the Colombo Stock Exchange and operates in accordance with the Corporate Governance Directions issued by the Central Bank of Sri Lanka. The Committee’s mandate is to ensure that all Related Party Transactions (“RPTs”) are conducted in a transparent manner, on arm’s length terms, and in compliance with regulatory and statutory requirements.

The Committee comprises Non-Executive Directors, with a majority being Independent Non-Executive Directors, and is chaired by an Independent Non-Executive Director (Profiles of the Directors are given in the pages from 12 to 15). The Committee operates under a Board-approved RPT Policy which sets out procedures for identification, review, approval, monitoring, and disclosure of related party dealings.

No	Name of the Director	Executive	Non-Executive	Non-independent	Independent	Attendance at the Meetings
1	Ms. R Dulain Fernando - Chairperson (Appointed as Member w.e.f. 14.10.2024 & appointed as Chairperson w.e.f. 10.02.2025)	-	√	-	√	5/5
2	Mr. A M A Perera (Appointed as Chairman w.e.f. 16.07.2020, Ceased to be a member w.e.f. 08.03.2023, re-appointed as a member 10.02.2025, Ceased to be a member w.e.f. 30.05.2025)	-	√	√	-	1/1
3	Mr. H P K Silva (Appointed w.e.f. 08.03.2023)	-	√	√	-	4/5
4	Mr. R L S A Rajapakse (Appointed w.e.f. 27.06.2025)	-	√	-	√	4/4
5	Mr. H M P B Herath (Appointed w.e.f. 18.12.2025)	-	√	-	√	0/0
6	Mr. J D V N Jayasinghe (Appointed w.e.f. 08.03.2023, Ceased to be a member w.e.f. 10.02.2025)	-	√	-	√	0/0
7	Prof. N. Sampath Punchihewa (Appointed w.e.f. 16.07.2020, Ceased to be a member w.e.f. 10.02.2025)	-	√	-	√	0/0
8	Mr. W C Rodrigo (Appointed w.e.f. 30.05.2025, Ceased to be a member w.e.f. 27.06.2025)	-	√	-	√	0/0

The Chief Finance Officer acts as Secretary to the Committee and ensures documentation integrity.

The Committee met five (05) times during the year under review. When necessary, the Chief Executive Officer attended Committee meetings by invitation.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Related Party Transactions During 2025

During the year under review, the Committee reviewed all recurrent and non-recurrent RPTs and each transaction was evaluated to determine its classification under CSE rules and to assess whether shareholder approval thresholds were triggered. The Committee ensured that transactions were carried out in the ordinary course of business and on terms comparable to those available to independent third parties. The Committee conducted periodic reviews of aggregate exposures to related parties to ensure compliance with CBSL prudential exposure limits and internal credit policies. Lending facilities granted to Key Responsible Personnel, and related entities were assessed for compliance with regulatory caps and were subject to the same credit appraisal and monitoring processes applicable to other customers.

Directors with a material interest in any transaction abstained from deliberations and decision-making in accordance with conflict-of-interest provisions under the Companies Act and governance rules. The Committee also ensured that material non-recurrent transactions, where applicable, were supported by independent valuations and referred for shareholder approval when required.

The Committee reviewed the existing mechanisms designed to track and monitor related party transactions, including the provision of information related to key management personnel.

The Committee conducted quarterly reviews of all related party transactions during the year 2025. Based on its assessments, the Committee provided recommendations and communicated its observations to the Board.

The details of the recurrent and non-recurrent transactions during the financial year 2025 are disclosed under "Note 43-Related party Disclosure" in the Financial Statements.

Committee TOR

The Board-approved Terms of Reference (TOR) define the roles and responsibilities of the Related Party Transactions Review Committee (RPTRC) and are reviewed periodically to ensure compliance with regulatory requirements and best practices.

Scope of the Committee

- Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures.
- Prior review and recommend all proposed related party transactions of the Company except those explicitly exempted in the Code under Rule 27 and the RPTRC Policy.

- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Establishing guidelines in respect of recurrent Related Party Transactions to be followed by the Corporate Management in respect of ongoing dealings with the relevant related party.
- Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulation are made in a timely and detailed manner.


Authority

The recommendations of the Committee are reported to the Board to take final decisions on the matters where necessary. The Committee is authorised by the Board to obtain professional advice as and when it deems necessary at the expense of the Company which is coordinated by the Company Secretary.

Declaration

The Committee reviewed related party disclosures included in the Financial Statements to ensure compliance with LKAS 24 and verified that disclosures were consistent with governance reports and CSE disclosure obligations.

The Committee confirms that all Related Party Transactions entered into during the financial year were conducted on arm's length basis, were not prejudicial to the interests of the Company or minority shareholders and complied fully with applicable regulatory requirements. No material regulatory breaches were identified.



R. Dulani Fernando

Chairperson Related Party Transactions Review Committee

Non-Executive/ Senior Independent Director

30th April 2026
Colombo

REPORT OF THE NOMINATION & GOVERNANCE COMMITTEE

The Nomination and Governance Committee (“the Committee”) is a Board Sub-Committee established under the guidance of Corporate Governance Rules of the Colombo Stock Exchange and the Corporate Governance Directions issued by the Central Bank of Sri Lanka.

Composition

The Committee comprises exclusively Non-Executive Directors, the majority of whom are Independent Non-Executive Directors, and is Chaired by Non-Executive Independent Directors (Profiles of the Directors are given in the pages from 12 to 15).

No	Name of the Director	Executive	Non-Executive	Non-Independent	Independent	No. of meetings (Attended/ Eligible to attend)
1	Mr. H M P B Herath Chairman (Appointed w.e.f. 23/04/2026)	-	√	-	√	-
2	Mr. R L S A Rajapakse (Appointed w.e.f. 27/06/2025 as the chairman and ceased to be a member w.e.f 23/04/2026)	-	√	-	√	1/1
3	Prof. N S Punchihewa (Appointed w.e.f. 14/10/2024) Ceased to be a member w.e.f 20/03/2025)	-	√	-	√	1/1
4	Mr. G A Jayashantha (Appointed w.e.f. 09/02/2022)	-	√	√	-	4/4
5	Mr. R M N Jeewantha (Appointed w.e.f. 08/03/2023) (ceased to be member w.e.f. 10/02/2025)	-	√	√	-	1/1
6	Mr. J D V N Jayasinghe (Appointed w.e.f. 09/02/2022) (ceased to be member w.e.f. 19/02/2025)	-	√	-	√	1/1
7	Ms. R Dulani Fernando (Appointed w.e.f. 14/10/2024)	-	√	-	√	4/4
8	Mr. A M A Perera (Appointed w.e.f. 10/02/2025) (ceased to be member w.e.f. 30/05/2025)	-	√	√	-	2/2

The Committee met Four (04) times during the year under review. When necessary, the Chief Executive Officer and the Head of HR attended Committee meetings by invitation.

The Company Secretary acts as the Secretary to the Committee and ensures procedural compliance and documentation integrity.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

The composition of the Committee complies with the requirements relating to independence, segregation of duties, and governance oversight as stipulated under CSE Listing Rules and CBSL Corporate Governance Directions.

Terms of Reference (TOR)

The Committee is governed in accordance with the Terms of Reference approved by the Board, which contains functions, duties, authority, scope, responsibilities and procedural framework. The TOR is reviewed every two year or as and when required ensuring alignment with prevailing regulatory amendments and evolving governance standards.

Scope of The Committee

To review the structure, size, and composition of the Board and its Committees to assess their effectiveness and recommend any necessary improvements or changes.

- To review and recommend to the Board the appointment of any Directors, Chief Executive Officer (“CEO”) and Senior Management in the Company.
- To ensure plans are in place for orderly succession to senior management positions and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company.
- To review the criteria for identifying Independent Non-Executive Directors laid down by the applicable statutes, rules and regulations and continuous compliance with it.
- To recommend suitable orientation/induction, educational and training programs to continuously train and equip the existing and new Directors.
- To establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Company to ensure that their responsibilities are satisfactorily discharged.
- To review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules of the Exchange, CBSL directions, other applicable regulatory requirements.

- To receive reports from the Management on compliance with the corporate governance framework of the Company including the Company's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances.

Activities During the Period 2024/25

Committee Conducted "Fit and Proper" assessments in line with CBSL Corporate Governance Direction No. 05 of 2021 and Rule 9.7.5 of the CSE Listing Rules prior to recommending appointments of Directors and Key Management Personnel, subject to regulatory approval. The Committee also processed appointment, election and nomination of Directors in accordance with the procedure set out in the Board Charter.

In compliance with the regulatory requirements stipulated by the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE), the Committee conducted the annual Fit and Proper assessments of the Board of Directors. Each Director submitted a duly signed Fit and Proper Declaration confirming their continuous compliance with the prescribed criteria. The duly executed affidavits were forwarded to the CBSL for its assessment and confirmation of their continuation in office in line with the Fit and Proper requirements.

Reviewed the composition and structure of the Board to ensure compliance with regulatory requirements, including the required proportion of Independent Non-Executive Directors.

During the year under evaluation the committee reviewed the structure of the Board Sub-Committees and recommended changing the composition to ensure continued regulatory compliance.

Committee evaluated the annual declarations of independence from the Independent Directors and confirmed that Ms. R. Dulani Fernando, Mr. R.L.S.A. Rajapakse, and Mr. H.M.P.B. Herath are satisfied the independence criteria during the year.

Oversaw the annual Board and CEO evaluation process, including structured performance assessments and submission of improvement measures to the Board.

Reviewed succession planning frameworks for the CEO and Key Management Personnel to ensure leadership continuity and institutional resilience.

Following the Chairman's appointment to the Subsidiary Company, the Central Bank of Sri Lanka (CBSL) determined that his status as an Independent Director was affected. Accordingly, to ensure compliance with applicable corporate governance requirements, the Committee recommended the appointment of a Senior Independent Director to the Board.

Re-Election & Election

Pursuant to Article 87 of the Articles of Association of the Company, one-third (1/3) of the Directors are required to retire and offer themselves for re-election at each Annual General Meeting (AGM). Accordingly, the Committee recommended that the following Directors be re-elected at the forthcoming AGM.

- To re-elect Director, Ms. R Dulani Fernando who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of the Company
- To re-elect Director, Mr. G A Jayashantha who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of the Company who has been re-elected by rotation in the year 2024
- To re-elect Director, Mr. A J Ismail who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of the Company.
- To elect Director, Mr. R L S A Rajapakse who was appointed to the Board since the last Annual General Meeting, under, and in terms of Article 93 of the Articles of Association of the Company.
- To elect Director, Mr. H M P B Herath who was appointed to the Board since the last Annual General Meeting, under, and in terms of Article 93 of the Articles of Association of the Company

Authority

The recommendations of the Committee are to be submitted to the Board for its final decision. The Committee is authorised to obtain professional advice, as and when required, at the expense of the Company. Such engagement shall be coordinated by the Company Secretary.

Directors are provided with access to the BoardPAC, which includes the relevant regulatory directions, the Articles of Association of the Company, and other key governance documents for reference. Updates relating to regulatory changes are uploaded to the system on a timely basis to ensure that Directors remain informed of the latest developments.

Declaration

The Committee confirms that the Company maintained full compliance with applicable CSE Corporate Governance Rules and CBSL Corporate Governance Directions throughout the financial year. No material governance deficiencies were identified.



H M P B Herath

Chairman Nomination & Governance Committee

Non-Executive Independent Director

30th April 2026
Colombo

THE BOARD INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE REPORT

The primary objective of the Board Information and Communication Technology Committee (BICT) is to provide strategic oversight and guidance to ensure that the organization's technology initiatives are fully aligned with its broader mission, vision, and long-term objectives. This involves fostering the development and implementation of innovative, secure, and reliable technology systems that not only support operational efficiency but also drive sustainable growth and competitive advantage. Additionally, the BICT is tasked with ensuring that all technology frameworks and practices adhere rigorously to applicable legal, regulatory, and industry standards, thereby safeguarding the organization's assets, reputation, and stakeholder interests. Through this dual focus on strategic alignment and robust governance, the committee aims to position technology as a critical enabler of organizational success in an increasingly digital and interconnected environment.

Charter of the BICT

The Board Information and Communication Technology Committee (BICT) operates in accordance with the Terms of Reference (TOR) approved by the Board, which define its composition, scope, and responsibilities. The TOR ensures the committee is guided by clear criteria for member qualifications and outlines its focus areas, including technology strategy focusing on Digitalisation's, risk management, cybersecurity, and compliance. It also specifies the BICT's duties, such as policy oversight, performance

monitoring, and advising the Board on technology matters. By adhering to the TOR, the BICT ensures accountability, alignment with organizational goals, and effective governance.

Composition and the meetings of the BICT

The Board Information and Communication Technology Committee (BICT) is chaired by a Non-Executive Non-Independent Director. The committee, whose composition is outlined below, convened eight times during the year under review. Member attendance at these meetings is detailed as follows:

Director Name	Executive	Non-Executive	Non-Independent	Independent	No. of meetings (Attended/ Eligible to attend)
Mr. A J Ismail (Committee Chairman)	-	√	√	-	5/5
Mr. Y A Jayathilake (ceased to be a member w.e.f. 23.06.2025)	-	√	√	-	3/3
Prof. N S Punchihewa (ceased to be a member w.e.f. 20.03.2025)	-	√	√	-	1/1
Mr. H P K Silva	-	√	√	-	6/8
Ms. R D Fernando	-	√	-	√	8/8

BICT Functions

The following outlines the framework, responsibilities, authorities, and duties of the Board Information and Technology Committee (BICT). The committee's primary areas of focus include, but are not limited to, the following:

Strategic Alignment

- Periodically review the IT & Digital Strategy and its Roadmap to ensure alignment with the Business Strategy and Digital transformation goals of MBSL.

- Ensure that the IT Products, Services and Infrastructure are aligned with the IT & Digital Strategy and the Road Map.
- Review Management prioritisation and allocation of resources to ensure delivery of the IT & Digital Strategy as per the Roadmap.
- Evaluate Management Reports on benefits delivered by IT projects (benefits realisation) ensuring value is derived from emerging technologies.

- Monitor and evaluate existing and future trends in technology that may have an impact on the existing IT & Digital Strategy or offer Competitive advantage to MBSL.
- Review and recommend to the Board the significant technology investments and expenditure, which needs the approval of the Board, based on the delegated authorisations.

Value Delivery

- Review and recommend IT and Digital-related expenses, focusing on cost optimisation and efficiency.

Resource Management

- Periodically monitor and assess IT and Digital-enabled projects and provide Committee recommendations.
- Monitor the delivery of all IT & Digital-enabled projects which are deemed of Strategic Importance.
- Through management reports or independent reviews, ensure that IT has competent, sufficient, and efficient resources covering applications, data/information, infrastructure, and workforce skilled in the required fields.

Risk Management

- Receive assessment and reports on IT-related risks and organization impact.
- Ensure that a Business Continuity Plan (BCP) is in place and it should include the Disaster Recovery (DR) and continuity of IT operations.

- Ascertain that risk management is embedded into all IT and business operations.

Performance Management

- Ascertain the existing methodology and tools for Management to track project completion, process performance, and service delivery, as well as resource usage and monitoring of IT Services.
- Verify Strategy compliance through Management reports, ensuring that all IT and Digital initiatives meet the predefined performance standards.

Information & Cyber Security

- Ascertain the current information security risks associated with the IT functions including Cyber Security risks associated with Digital processes if any, and propose appropriate & adequate actions required to mitigate the Business impacts.
- Ensure that proper Information Security Management is embedded into IT operations and Data lifecycle.
- Ensure suitable procurement processes, procedures and practices are adopted for the Information Security-related products and services.

Others

- Review the ICT Committee's terms of reference at least annually and recommend modifications.
- Carry out other tasks, special assignments, and investigations as may be requested from time to time by the Board of Directors
- Consider any significant matters related to ICT, Data or any digitalisation's raised at the Audit/Risk management committee meetings.

Key Activities and Achievements of the Board Information and Communication Technology Committee (BICT) In 2025

Successful Implementation of the Core-Banking System Application

The successful implementation of the Core Banking Application during the year 2025 stands out as a key achievement of the Board Information Communication Technology (ICT) Committee. The Committee provided strategic oversight and governance throughout the project lifecycle, ensuring effective risk management, stakeholder coordination, and timely decision making. This milestone has significantly strengthened the Bank's digital infrastructure, enhanced

operational efficiency, improved service reliability, and laid a robust foundation for future technological advancements in line with the Bank's strategic objectives.

Oversight of System and Hardware Procurement

The BICT played a critical role in reviewing and recommending the procurement of IT systems, related hardware, and associated activities. This included ensuring that all purchases aligned with the organization's strategic objectives, were cost-effective, and met the required technical and security standards.

Software Renewal and Up-to-Date Maintenance

The BICT was ensuring that all software licenses were renewed on time and kept up to date. This included monitoring subscription timelines, evaluating renewal terms, and verifying that the latest updates and patches were applied to mitigate security vulnerabilities and ensure optimal system performance. By prioritising timely software renewals and updates, the committee helped maintain the integrity, reliability, and security of the bank's IT infrastructure, reducing risks associated with outdated or unsupported software.

Reporting to the Board

The BICT ensures transparency and accountability by documenting meeting minutes and action plans, which are circulated to members for follow-up. Approved minutes are regularly submitted to the Board, keeping it informed of the committee's decisions, activities, and strategic alignment with organisational goals. This process supports effective governance and oversight.



A J Ismail

*Chairman
Board Information and
Communication Technology
Committee*

*Non-Executive Non-
Independent Director*

30th April 2026
Colombo

THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee (BIRMC), operating under the authority of the Board of Directors, is responsible for formulating and evaluating the Bank's comprehensive Risk Management Framework.

Charter of the BIRMC

The activities of the BIRMC were conducted in accordance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021, which identifies the Committee as a subcommittee of the Board. The composition, mandate, and responsibilities of the BIRMC align with the requirements specified in this Direction, as well as the Terms of Reference (TOR) approved by the Board. In addition, the Bank has implemented an Integrated Risk Management Policy Framework (IRMF), which outlines the supporting governance structures and the intricacies of the risk management ecosystem established under the IRMF.

Composition and the Meetings of the BIRMC

The committee is led by a Non-Executive Independent Director. The following outlines the composition of the Committee.

No.	Name Of Director	Directorship Status
1	Mr. H.M.P.B. Herath (Chairman of the BIRMC)	Non-Executive/Independent Director
2	Mr. A.M.A. Perera	Non-Executive/ Non-Independent Director
3	Ms. R. Dulani Fernando	Non-Executive/ Senior Independent Director
4	Mr. G.A. Jayashantha	Non-Executive/Non-Independent Director
5	Mr. R.M.N. Jeewantha	Non-Executive/Non-Independent Director
6	Mr. A.J.Ismail	Non-Executive/Non-Independent Director

The Macroeconomic Environment and Risk Landscape

Throughout 2025, the BIRMC closely monitored the evolving domestic and global macroeconomic environment. The Committee maintained vigilant oversight over key economic indicators, including interest rate trajectories, inflation dynamics, and broader economic recovery efforts in Sri Lanka. By continuously assessing these macroeconomic shifts, the BIRMC ensured that the institution's Risk Management Framework remained agile, enabling proactive adjustments to our risk strategies and safeguarding the Company's asset quality and operational stability amidst a dynamic economic landscape.

Regular Attendees by Invitation

- Chief Executive Officer
- Chief Risk Officer
- Compliance Officer
- Head of Internal Audit

BIRMC Meetings

The Committee held six (06) meetings during the year under review. The attendance of the members of the Committee is as follows:

Director Name	Executive	Non-Executive	Non-Independent	Independent	No. of meetings (Attended/ Eligible to attend)
Mr. H.M.P.B. Herath (Appointed to the Committee as the Chairman w.e.f. 18.12.2025)	-	√	-	√	1/1
Mr. A. M. A. Perera	-	√	-	-	6/6
Ms. R. Dulani Fernando	-	√	-	√	6/6
Mr. R. M. N. Jeewantha	-	√	√	-	5/6
Mr. G. A. Jayashantha	-	√	√	-	5/6
Mr. A.J. Ismail (Appointed to the committee w.e.f. 10.02.2025)	-	√	√	-	6/6
Mr. R.L.S.A. Rajapakse (Appointed to the committee w.e.f. 30.06.2025 and resigned w.e.f. 18.12.2025)	-	√	-	√	0/2

BIRMC Functions

The primary responsibilities of the Committee shall include:

- Ensure that the Company conducts the risk management function in line with the Corporate Governance Directives issued by the Central Bank of Sri Lanka.
- Conduct a comprehensive review and evaluation of the Bank's risk appetite, together with the supporting policies and procedures.
- Carry out detailed assessments of risk reports, compliance reports, and other relevant documentation during BIRMC meetings.

- Review and analyse the effectiveness and efficiency of management-level committees involved in the risk management process.
- Submit BIRMC risk assessment reports to the Board of Directors for their review, concurrence, and any required directives, in alignment with the Corporate Governance requirements of the Central Bank of Sri Lanka (CBSL).

Key Activities and Achievements of the Board Integrated Risk Management Committee (BIRMC) In 2025

Strengthening Governance and Risk Culture

In line with the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, the Board Integrated Risk Management Committee (BIRMC) continued to reinforce a strong risk-aware culture throughout the organization. This effort ensured that risk management principles were embedded into strategic planning, operational execution, and decision-making processes across MBSL.

Review and Enhancement of Risk Management Frameworks.

The Committee conducted an in-depth review of existing risk management frameworks, policies, and procedures to assess their completeness, relevance, and alignment with evolving industry standards. Necessary revisions were implemented to strengthen the organization's risk governance structure and maintain full compliance with regulatory expectations.

Alignment and Review of Risk Policies

Throughout 2025, the BIRMC undertook a comprehensive assessment of all risk-related policies to ensure their relevance and alignment with industry best practices. Based on this evaluation, the Committee recommended revised policies for Board approval, thereby reinforcing a robust, up-to-date policy environment.

Assessment of Risk Appetite and Tolerance Levels

A detailed review of the institution's Risk Appetite Statement and Internal Tolerance Limits was conducted, covering Credit Risk, Liquidity Risk, Market Risk, Operational Risk, and Other Risks. This ensured that risk-taking activities remained within acceptable boundaries and aligned with MBSL's strategic objectives and overall risk profile.

Robust Capital Adequacy and Liquidity Oversight

The Committee exercised continuous oversight of the Company's capital adequacy and liquidity positions throughout the financial year ended 2025, ensuring ongoing compliance with applicable regulatory requirements. During the year, the Company maintained its capital adequacy above the prescribed minimum regulatory thresholds. Furthermore, to proactively address anticipated capital adequacy requirements in 2026 and support future growth, the Company has commenced strategic processes to increase its capital base.

Advancement of Risk Monitoring and Analytics

Comprehensive, real-time Power BI dashboards were developed to monitor Credit and Market Risks. The Committee evaluated these dashboards to confirm their effectiveness in delivering accurate, timely, and actionable insights that support proactive and informed risk oversight.

Continuous Monitoring of High-Risk Credit Exposures

The Committee actively monitored the credit watch list, which captures high-risk facilities. A live Power BI dashboard facilitated real-time tracking, including detailed analysis of aging and deteriorating trends. Regular insights enabled timely interventions and reinforced the institution's commitment to effective credit risk mitigation.

Optimisation of Dashboard Design and Functionality

The BIRMC provided recommendations to enhance dashboard usability, structure, and analytical capabilities. These improvements strengthened the organization's ability to monitor risk exposures, identify emerging trends, and support data-driven decision-making across key business functions.

Strengthening Business Continuity and Resilience

A thorough review of the Business Continuity Plan (BCP), including branch-level contingency plans, was completed during the year. A full-scale BCP test enabled the identification of operational gaps, and corrective measures were implemented to improve the organization's preparedness

for potential disruptions and ensure operational continuity.

Strengthening Information and Cyber Security Risk Management

The Committee reviewed existing cyber security policies, systems, and protocols to assess their adequacy and resilience. Vulnerabilities were identified, incident response mechanisms were evaluated, and compliance with regulatory requirements was ensured. These actions supported a culture of cyber awareness and strengthened the institution's capability to safeguard sensitive information and maintain uninterrupted operations.

Environmental, Social, and Governance (ESG) and Climate Risk Integration

Recognising the growing importance of sustainable finance, and in alignment with the strategic directives of the Central Bank of Sri Lanka (CBSL), the BIRMC identified the integration of Environmental, Social, and Governance (ESG) and climate-related risks as a key strategic priority. Preliminary discussions and foundational work commenced during the year under review, and an ESG rating mechanism was subsequently implemented in line with the Green Taxonomy framework. The Committee intends to place greater emphasis in the forthcoming year on formally integrating ESG criteria into the credit evaluation process and incorporating relevant metrics into the risk appetite framework, with a view to enhancing long-term resilience and promoting responsible and sustainable business practices.

THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT (CONTD.)

Capacity Building and Risk Awareness

To ensure robust and effective risk oversight, the Committee places strong emphasis on the continuous professional development of its Risk Management Officers. During the year under review, officers of the Risk Management Division successfully completed structured training programs and participated in relevant industry workshops. These programs were designed to enhance technical competencies, strengthen analytical capabilities, and provide up-to-date insights into emerging risk trends and evolving regulatory expectations. This comprehensive training initiative has further strengthened the Division's capacity to proactively identify, assess, and manage risks in alignment with the organization's strategic objectives and regulatory requirements.

Oversight of Group Entities and Consolidated Performance

Using detailed performance dashboards, the Committee reviewed the operations, risk profiles, and financial health of MBSL Insurance and the associate company, Lanka Securities. This review ensured compliance with internal standards and regulatory guidelines, facilitated early risk identification, and supported

effective governance. The Committee's oversight contributed to improved transparency, operational alignment, and sustainable growth across the group.

Reporting to the Board

The Risk Management Reports reviewed at the Committee meetings were formally presented and duly recorded at the subsequent Board meetings, thereby ensuring that all Board members were fully apprised of the Committee's deliberations, key observations, and decisions. Following each meeting of the Board Integrated Risk Management Committee, comprehensive risk assessment reports were prepared and submitted to the Board within the stipulated timelines. This facilitated the Board's ongoing oversight of emerging risks and enabled it to assess the adequacy and effectiveness of the risk mitigation strategies implemented.

Strategic Focus for 2026

Looking ahead to 2026, the BIRMC remains committed to further maturing the organization's risk management ecosystem. Our strategic priorities will include advanced digitisation of risk-monitoring models, deepening our ESG and climate risk frameworks, and continuous enhancement of our cybersecurity posture. The Committee will continue to foster a proactive, forward-looking risk culture that not only protects the institution from emerging threats but also securely enables sustainable business growth and long-term value creation for all stakeholders.



H.M.P.B. Herath

Chairman

Board Integrated Risk Management Committee

Non-Executive

Independent Director

30th April 2026

Colombo

HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT

The Human Resources & Remuneration Committee (“the Committee”) operates as a Board Sub-Committee established in conformity with the Corporate Governance Rules of the Colombo Stock Exchange and the Corporate Governance Directions issued by the Central Bank of Sri Lanka. The Committee is mandated to ensure that the remuneration framework of the Company is consistent with prudent risk management, long-term sustainability, and regulatory compliance.

Committee Composition

The Committee comprises of Non-Executive Directors of which majority are Independent Directors. Committee is chaired by an Independent Non-Executive Director (Profiles of the Directors are given in the pages from 12 to 15). This structure ensures independence of the Committee, objectivity in remuneration deliberations and ensures that decisions are free from undue influence.

No	Name of the Director	Executive	Non-Executive	Non-Independent	Independent	No. of meetings (Attended/ Eligible to attend)
1	Ms. R Dulani Fernando - Chairperson (Appointed 10.02.2025)		√		√	8/8
2	Mr. A M A Perera - Member (Appointed w.e.f 16/07/2020 as the Chairman to the committee and appointed as a member w.e.f 11/08/2021- Ceased to be a member w.e.f. 08/03/2023 upon re constitution of the sub-Committees and re appointed w.e.f 10/02/2025 and ceased to be a member w.e.f - 30/05/2025)		√	√		3/3
3	Mr. R M N Jeewantha - Member (Appointed 10/02/2025)		√	√		7/8
4	Mr. J D V N Jayasinghe - Member (Appointed 11/08/2021-Ceased to be a member w.e.f. 10/02/2025)		√		√	1/1
5	Prof. N S Punchihewa - Member (Appointed 16/07/2020 - Ceased to be a member w.e.f. 10/02/2025)		√		√	1/1
6	Mr. H P K Silva - Member (Appointed 08/03/2023 - Ceased to be a member w.e.f. 30/05/2025)		√	√		4/4
7	Mr. A J Ismail - Member (Appointed 30/05/2025)		√	√		5/5
8	Mr. R L S A Rajapakse - Member (Appointed 27/06/2025)		√		√	4/5

The Company Secretary acts as the Secretary to the Committee and ensures procedural compliance and the maintenance of accurate records of proceedings.

During the financial year under review, the Committee met nine (9) times to deliberate on matters within its scope of responsibility.

When necessary, the Chief Executive Officer, Head of Human Resources and other members of the Senior Management will be invited to attend meetings to provide insights and operational perspectives. However, such invitees are not present during discussions relating to their own remuneration or matters that are confidential.

Where specialised expertise is required, the Chairperson of the Committee may invite external advisors or consultants to attend meetings for all or part of the deliberations.

The proceedings and recommendations of the Committee are regularly reported to the Board of Directors for consideration and approval.

Key Activities Carried out in 2025

During the year under review, the Committee undertook several key initiatives in fulfilling its mandate.

During the year under review, the Committee reviewed the Organizational Structure and the structure of the Corporate Management, culminating in the recommendation of revisions

to certain job descriptions to ensure alignment with current standards. As part of this effort, Committee reviewed and recommended a succession plan for key positions. As a resultant of this, MBSL created a new position and recruited a Chief Operating Officer (COO) in 2025.

Committee has also ensured a clear segregation of duties and responsibilities between the Chief Executive Officer (CEO) and the COO to optimise efficiency and a proper succession plan.

Remuneration levels of key positions and salary ranges within different categories of employees were reviewed against market and Company remuneration levels and an appropriate policy and remuneration levels were formalised. This was reviewed by the Board and approved and formalised by the HR department.

In order to ensure that the Board Directors are recognised for the responsibility, effort and time given and considering the market conditions and regulations imposed by the Central Bank of Sri Lanka, the committee carried out an extensive study on the Directors’ Fees. Based on this review, a revised fee structure was recommended to the Board and adopted during the year.

The structures of several departments were also evaluated to ensure that they adequately support the growing operational and regulatory requirements of the Company.

HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT (CONTD.)

During recruitment processes undertaken throughout the year, the Committee ensured that rigorous assessment criteria were applied, taking into consideration the academic qualifications, professional competencies, and experience of candidates. These assessments were conducted in line with the requirements of the Finance Business Act No. 42 of 2011 and the relevant regulatory directions governing the appointment of Key Responsible Persons (KRPs).

The Committee reviewed the performance of the Chief Executive Officer and Senior Management against pre-approved Key Performance Indicators and ensured that remuneration outcomes were consistent with approved policies and within budgetary constraints.

Committee Terms of Reference

Board-approved Terms of Reference (TOR) define the roles and responsibilities of the Board Human Resources and Remuneration Committee and this is reviewed periodically to ensure compliance with regulatory requirements and best practices.

Scope of the Committee

The Committee is empowered to review, assess and recommend to the Board of Directors on any matters affecting the Company's Human Resources, as well as any issues referred by the Board or other Sub Committees that are within the TOR of the Committee. In fulfilling its responsibilities, the Committee mainly focuses on:

- Determine the remuneration framework for Chairman and the Board of Directors including the Executive (if any) and Non-Executive Directors (including the amount and structure of Board and Committee remuneration) while ensuring that no Director is involved in setting his or her own remuneration.
- Review and recommend overall remuneration Philosophy, Strategy, Policies and Practices, including Performance-Based Pay Plans.
- Establish key performance parameters and appraisal for the evaluation of Key Responsible Persons and the CEO and recommend the compensation and benefits based on such evaluations.
- The remuneration shall include base salary, reimbursable expenses, bonuses, entitlements under employee incentive plans and all other entitlements and benefits from their employment.
- Review the Remuneration Report and any further remuneration disclosures to be included in the Annual Report.
- Consider any strategic industrial relations matters affecting MBSL.
- Review and recommend, as appropriate and when required, the Terms of Employment Contracts for Key Responsible Persons.
- Consider such other matters relating to remuneration issues as may be referred to the Committee by the Board

Remuneration Policy

The Remuneration Policy of the Company assists the Board in overseeing human resources and remuneration matters, ensuring that compensation is performance-based and aligned with the Company's strategic objectives. The Remuneration Policy is reviewed periodically to reflect market conditions, regulatory changes, and cost of living considerations. The Committee is also authorised to obtain independent external advice when assessing remuneration levels of Directors, Chief Executive Officer and the Key Responsible Persons.

Committee Performance Evaluation

In order to ensure the effectiveness of the Committee, a self-evaluation process was conducted during the year under review. The evaluation forms were circulated amongst the members to assess the Committee's performance, effectiveness of meetings, quality of discussions, and adequacy of information provided.

A summary of the evaluation results was presented to the Board of Directors for consideration.

Authority

The Committee operates within the authority delegated to it by the Board of Directors. All recommendations of the Committee are submitted to the Board for final approval.

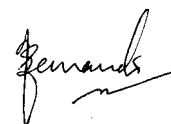
The Committee is authorised to obtain independent professional advice on matters within its scope of responsibilities, at the expense of the Company, where such advice is deemed necessary. Any such engagements are coordinated by the Company Secretary.

Directors Remuneration

The aggregate remuneration paid to the Directors, the Chief Executive Officer and Senior Management during the financial year under review is disclosed on the page no 218 of this Annual Report in accordance with the applicable regulatory formats.

Declaration

The Committee confirms that during the year the Company adhered to all applicable CSE and CBSL requirements relating to remuneration governance. The remuneration practices of the Company remain transparent, risk-sensitive, performance - driven, and consistent with financial soundness objectives.



R. Dulani Fernando

Chairperson Human Resources & Remuneration Committee

Non-Executive/Senior Independent Director

30th April 2026
Colombo

Clear Skies Ahead

As we break through the clouds, the path ahead becomes clearer. With each successful step, we continue to refine our services, empowering individuals and businesses to achieve their financial goals with confidence.



FINANCIAL CALENDAR

Annual General Meetings

2025

44th Annual General Meeting	12-Jun-26
45th Annual General Meeting on or before	30-Jun-27

Interim Financial Statements Published in Terms of Rule 7.4 of the Colombo Stock Exchange (CSE)

Interim Financial Statements	2025	2026
	Date Released to the CSE	Date to be Released to the CSE
1st Quarter ended 31 March	15-May-25	15-May-26
2nd Quarter ended 30 June	13-Aug-25	14-Aug-26
3rd Quarter ended 30 September	14-Nov-25	13-Nov-26
4th Quarter ended 31 December	27-Feb-26	26-Feb-27

Publication of the Six Month Financial Statements in News Papers as Per the Requirements of the Central Bank of Sri Lanka.

Publication Financial Statements	2025	2026
	Date Published in News Papers	Date to be Published in News Papers
Bi-annual Financial Statements in three news papers	29-Aug-25	On or before 31- Aug-26
Annual Financial Statements in three news papers	31-Mar-26	On or before 31- Mar-27

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Directors Statement on Internal Control Over Financial Reporting

The Board of Directors presents the Directors Statement on Internal Control Over Financial Reporting in line with section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 and principal D.1.5 of Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

Responsibility of The Board

The Board of Directors ("Board") have overall responsibility for ensuring the adequacy and effectiveness of internal controls over financial reporting of Merchant Bank of Sri Lanka & Finance PLC (MBSL). System of internal controls is designed to manage the MBSL's key areas of risk within an acceptable risk profile. Accordingly, the system of internal controls can only provide a reasonable but not an absolute assurance against material misstatements of management and financial information and records or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating, and managing significant risks faced by MBSL and this process includes enhancing the system of internal controls as and when there are changes in the business environment, technological developments, or regulatory guidelines. The Board regularly reviews this process, both directly as well as via the Board Audit Committee and the Integrated Risk Management Committee to ensure mitigating risks are identified and compensating controls are in place.

The management assists the Board in the implementation of policies and procedures on risks and controls. Management provides valuable input to the Board by identifying and assessing the risks faced by MBSL during operations and financial reporting.

The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Process implemented in Applying and Reviewing the Design and Effectiveness of the Internal Control System on Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board has appointed specialised subcommittees to ensure the effectiveness of the Company's day-to-day operations and that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions approved by the Board. All sub-committees are governed by board approved charters.
- Key functional areas of the Company are governed by policies and procedures that are approved by the Board. The Board periodically reviews sub-committee charters as well as policies and Procedures to ensure relevancy and impact.
- A risk based annual audit plan is reviewed and approved by the Board Audit Committee (BAC) ensuring all material and key areas, branches and service departments are adequately covered. The Internal Audit Department ensures that internal audits are carried out according to the approved plan and evaluates the effectiveness of policies and procedures, identifies potential risks over financial reporting and potential risks to MBSL. Board Audit Committee is appraised of the findings of these audits on a periodic basis.
- The Board Audit Committee of the Company reviews internal control gaps identified by the Internal Audit Division, External Auditors, Regulatory Authorities, and Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. Committee may also highlight the areas that need more internal controls or/and areas where existing internal controls need to be reassessed and redesigned. The Board Audit Committee may also suggest special audits and investigations, if areas of potential risks are identified while reviewing risks and compensating controls.
- The minutes of the Audit Committee meetings are tabled to the Board on a periodic basis. Further details of the activities

undertaken by the Audit Committee of the Company are set out in the Board Audit Committee Report in the Annual Report.

- In assessing the internal control system, all procedures and controls that are related to significant accounts and disclosures of the Financial Statements of Company were collated by responsible officers of the Company. These in turn were reviewed by the Internal Audit Department to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- Based on specialised information system audits, Internal Audit Department will assess the information systems and its surrounding technology infrastructure that supports financial reporting, confidentiality of information and controls over data processing.
- The Company adopts Sri Lanka Accounting Standards comprising SLFRS and LKAS and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes of financial reporting and management information.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of MBSL has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes

DIRECTORS' STATEMENT ON INTERNAL CONTROL (CONTD.)

in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

Review of the Statement by External Auditors

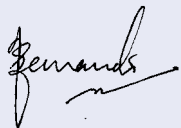
The External Auditor has reviewed the above Director's Statement on Internal Controls over financial reporting for the year ended 31 December 2025 in accordance with section 16(1) (ix) of the Finance Business Act Direction No. 05 of 2021 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of internal control system over financial reporting of MBSL.

Statement of Prudential Requirements, Regulations and Laws

The Board as part of their responsibility, has implemented sufficient system of internal controls to ensure that MBSL adhere to regulatory and statutory obligations. The Board affirms that the Company complies with relevant prudential requirements, regulations and laws and internal controls affecting the Company.

The Board further confirms that there are no significant regulatory or supervisory concerns. There are no regulatory directives issued by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which require disclosure to the public.

For and on behalf of the Board,



R Dulani Fernando
Chairperson - Board Audit Committee



A.M.A. Perera
Chairman

27, April 2026
Colombo

INDEPENDENCE ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. } My No.

BAN/H/BOC-S/MBSL/IC/2025/10

ඔබේ අංකය
உமது இல. } Your No.

දිනය
திகதி } Date

29 April 2026

The Chairman
Merchant Bank of Sri Lanka &
Finance plc

Independence Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control Over Financial Reporting of Merchant Bank of Sri Lanka & Finance PLC.

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("The Statement") of Merchant Bank of Sri Lanka & Finance PLC (the "Company") included in the annual report for the year ended 31 December 2025.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 for licensed finance companies.

My Responsibility and Compliance with SLSAE 3051

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

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

This Standard requires that I plan and perform procedures to obtain limited assurance about whether management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor

have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

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

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

SLSAE 3051 does not require me to consider whether the Statement covers all risk and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require me to consider whether the processes described to deal with material

internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Conclusion

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

L.S.I. Jayaratna
L.S.I. Jayaratna
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව



+94 11 2 88 70 28 - 34

இல. 306/72, பூல்பூவ வீதி, பத்தரமுல்லை, இலங்கை



+94 11 2 88 72 23

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



ag@auditorgeneral.gov.lk



www.naosl.gov.lk

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This Statement sets out the responsibilities of the Directors in relation to the Financial Statements of the Company and the Group.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company and the Group keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the Financial Position of the Company and the Group as at end of each financial year and of the financial performance of the Company and the Group for each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31 December 2025, Income Statement and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of:

- (a) The Financial Position of the Company and the Group as at Reporting date; and
- (b) The Financial performance of the Company and the Group for the financial year ended on the reporting date.

The Directors confirm that the Financial Statements of the Company and the Group for the financial year ended 31 December 2025 have been prepared and presented based

on the Sri Lanka Accounting Standards (SLFRSs and LKASs), Companies Act No. 07 of 2007, Sri Lanka Accounting & Auditing Standard Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have also taken reasonable measures to safeguard the assets of the Company and of the Group and to prevent and detect frauds and other irregularities. In that regard, the Directors have established appropriate systems of internal control with the view to preventing and detecting fraud and other irregularities. The Directors have reasonable expectations, after making enquiries and following a review of the Company's budget for the ensuring year including cash flows and borrowing facilities, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore has continued to adopt the going concern basis in preparing the Financial Statements.

The Directors have ensured that this Annual Report has been prepared and published as required by the Sections 166 (1) and 167 (1) of the Companies Act and ensured that a printed copy of this Annual Report is sent to every shareholder of the Company, who have expressed desire to receive a hard copy. For the benefit of other

shareholders and the many stakeholders of the Company, the digital version of the Annual Report has been uploaded to the Financial Information section of the Company's website (<https://www.mbslbank.com/financialinformation>). The digital version of the Company's Annual Report 2025 has also been uploaded to the CSE website within the stipulated period of time as required by the Section 7.5(a) and (b) on continuing listing requirements of the listing rules of the Colombo Stock Exchange.

Pursuant to provision of Article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Company and expresses their opinion on the Financial Statements of the Company. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on Page 129 of this Annual Report.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, statutory levies and financial obligations of the Company and the Group have been either paid or adequately provided for in the Financial Statements. The Directors further confirm that after considering the Financial Position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission, the Directors have a reasonable expectation that the Company

and the Group possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the Financial Statements. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board,



Nadeeka Jayawickrama
Company Secretary

30th April 2026
Colombo

REPORT OF THE AUDITOR GENERAL



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAN/H/BOC-S/MBSL/FA/2025/06

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

27 March 2026

Chairman
Merchant Bank of Sri Lanka and
Finance PLC

**Report of the Auditor
General on the Financial
Statements and other legal
and regulatory requirements
of the Merchant Bank of Sri
Lanka and Finance PLC and
its subsidiary for the year
ended 31 December 2025
in terms of Section 12 of the
National Audit Act, No. 19 of
2018, as amended.**

1. Financial Statements 1.1 Opinion

The audit of the Financial Statements of the Merchant Bank of Sri Lanka and Finance PLC (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2025 comprising the Statement of Financial Position as at 31 December 2025 and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of

Cash Flows for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the Financial Position of the Company and the Group as at 31 December 2025 and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the Financial Statements of the current period. These matters were addressed in the context of the audit of the Financial Statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the Financial Statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

අංක 306/72, පොල්දඹු පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்ல, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



+94 11 2 88 70 28 - 34



+94 11 2 88 72 23



ag@auditorgeneral.gov.lk



www.naosl.gov.lk

REPORT OF THE AUDITOR GENERAL (CONTD.)

Key Audit Matter	How my audit addressed the key audit matter
<p>Expected Credit Losses of Loans and Advances measured at amortised cost.</p> <p>Expected credit losses of loans and advances measured at amortised cost as disclosed in note 23 is determined by management based on accounting policies described in Note 3.5.11 to the Financial Statements.</p>	<p>In addressing the allowances for expected credit losses of loan and advances measured at amortised cost, my audit procedures included the following key procedures:</p>
<p>This was a key audit matter due to</p> <ul style="list-style-type: none">the significant management judgements, assumptions and estimation uncertainty involved in assessing the future recoverability of loans and advances; andthe materiality of the reported amount of allowance of expected credit losses.	<ul style="list-style-type: none">Assessed the alignment of the Company's allowances for expected credit loss computations with the underlying methodology and related accounting policies, based on the best available information up to date of my report.Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses.Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management.
<p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, use of a broad range of forward looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity.</p> <p>Further information on the key estimates, assumptions and judgements is disclosed in Notes 3.5.11.</p>	<ul style="list-style-type: none">Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Company.Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications.In addition to the above, the following procedures were performed:
	<p>For loans and advances assessed on an individual basis for impairment:</p> <ul style="list-style-type: none">Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of collaterals.Tested the arithmetical accuracy of the underlying individual impairment calculations.
	<p>For loans and advances assessed on a collective basis for impairment:</p> <ul style="list-style-type: none">Tested the key inputs and the calculations used in the allowances for expected credit losses.Assessed the reasonableness of judgements, assumptions and estimates used by the management in the underlying methodology including any considerations by management relating to overlays to the ECL allowance.My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.
	<p>Assessed the adequacy of the related financial statement disclosures set out in notes 3.5.11, 23 and 48.2.</p>

Key Audit Matter	How my audit addressed the key audit matter
<p>Information Technology (IT) systems related internal controls over financial reporting</p> <p>Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems and related internal controls over financial reporting were identified as a key audit matter.</p>	<p>My audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved my internal specialised resources and; <ul style="list-style-type: none"> • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and • Obtained a high-level understanding of the cyber security risks affecting the Company and the actions taken to address these risks primarily through inquiry. • Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

1.4 Other information included in the Group's 2025 Annual Report.

The other information comprises the information included in the Annual Report but does not include the Financial Statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the Financial Statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Financial Statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as

a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and the Group.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate

REPORT OF THE AUDITOR GENERAL (CONTD.)

to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions

may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. I remain solely responsible for my audit opinion

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163

(2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

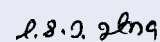
2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.



L.S.I. Jayaratna
Auditor General

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Company			Group		
		2025 Rs.'000	2024 Rs.'000	Change %	2025 Rs.'000	2024 Rs.'000	Change %
Income	4	7,904,903	7,582,723	4.2	8,347,842	8,289,222	0.7
Interest and similar income		7,243,533	6,207,886	16.7	7,442,102	6,467,481	15.1
Interest and similar expenses		(4,273,983)	(4,021,096)	6.3	(4,265,020)	(4,003,227)	6.5
Net interest income	5	2,969,550	2,186,790	35.8	3,177,082	2,464,254	28.9
Fee and commission income		233,879	211,880	10.4	257,546	236,802	8.8
Fee and commission expenses		(94,055)	(43,332)	117.1	(87,956)	(49,503)	77.7
Net fee and commission income	6	139,824	168,548	(17.0)	169,590	187,299	(9.5)
Insurance premium income	7	-	-	-	272,462	408,020	(33.2)
Net claims and benefits	8	-	-	-	(461,864)	(327,442)	41.1
Net trading income	9	782,290	804,725	(2.8)	782,354	804,762	(2.8)
Net gain/(loss) on financial instruments at fair value through profit or loss	10	(586,908)	257,327	(328.1)	(581,041)	261,789	(322.0)
Other operating income	11	232,109	100,905	130.0	174,419	110,368	58.0
Total operating income		3,536,865	3,518,295	0.5	3,533,002	3,909,050	(9.6)
Allowance for impairment losses reversal/ (charge) for loans and other assets	12	111,515	46,193	141.4	111,515	46,193	141.4
Net operating income		3,648,380	3,564,488	2.4	3,644,517	3,955,243	(7.9)
Personnel expenses	13	(1,500,408)	(1,400,614)	7.1	(1,648,408)	(1,579,464)	4.4
Depreciation and amortisation	14	(295,628)	(291,078)	1.6	(331,150)	(327,722)	1.0
Other operating expenses	15	(906,190)	(1,029,665)	(12.0)	(1,066,167)	(1,192,608)	(10.6)
Total operating expenses		(2,702,226)	(2,721,357)	(0.7)	(3,045,725)	(3,099,794)	(1.7)
Operating profit/(loss) before VAT on financial services and impairment of investment in group companies		946,154	843,131	12.2	598,792	855,449	(30.0)
Impairment reversal/(charge) of investment in subsidiary	28	(29,693)	(4,435)	569.5	-	-	-
Profit/(loss) from operations after impairment of investment in group companies		916,461	838,696	9.3	598,792	855,449	(30.0)
Taxes on financial services	16.1	(405,504)	(392,787)	3.2	(405,504)	(392,787)	3.2
Share of associate company's profit/ (loss) before tax	27.1	-	-	-	108,649	13,232	721.1
Profit/(loss) before income tax		510,957	445,909	14.6	301,937	475,894	(36.6)
Income tax (expense)/reversal	16.2	(245,436)	(205,455)	19.5	(281,356)	(210,248)	33.8
Profit/(loss) for the year		265,522	240,454	10.4	20,581	265,646	(92.3)
Profit/(loss) for the year attributable to:							
Equity holders of the parent		265,522	240,454	10.4	148,540	260,338	(42.9)
Non-controlling interests		-	-	-	(127,959)	5,308	(2,510.6)
Profit/(loss) for the year		265,522	240,454	10.4	20,581	265,646	(92.3)
Earnings per share:							
Basic/diluted earning per share (Rs.)	17	0.51	0.46	10.4	0.28	0.50	(42.9)

Figures in brackets indicate deductions.

The accounting policies and the notes on pages from 140 to 246 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Company			Group		
		2025 Rs.'000	2024 Rs.'000	Change %	2025 Rs.'000	2024 Rs.'000	Change %
Profit/(loss) for the year		265,522	240,454	10.4	20,581	265,646	(92.3)
Other comprehensive income/ (expenses)							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income		13,004	2,750	372.9	15,704	5,738	173.7
Net other comprehensive income/ (expenses) to be reclassified to profit or loss in subsequent periods		13,004	2,750	372.9	15,704	5,738	173.7
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):							
Actuarial gains/(losses) on defined benefit plans	40	(37,644)	(45,492)	(17.3)	(36,749)	(45,594)	(19.4)
Share of associates company's other comprehensive income	27.1	-	-	-	989	-	-
Deferred tax effect relating to components of other comprehensive income	38.1	11,293	13,648	(17.3)	11,293	13,648	(17.3)
Net other comprehensive income/ (expenses) not to be reclassified to profit or loss in subsequent periods		(26,351)	(31,844)	(17.3)	(24,467)	(31,946)	(23.4)
Other comprehensive income/ (expenses) for the year, net of tax		(13,347)	(29,094)	(54.1)	(8,763)	(26,208)	(66.6)
Total comprehensive income/ (expenses) for the year, net of tax		252,175	211,360	19.3	11,818	239,438	(95.1)
Total comprehensive income/ (expenses) attributable to:							
Equity holders of the parent		252,175	211,360	19.3	138,116	232,796	(40.7)
Non controlling interests		-	-	-	(126,298)	6,642	(2,001.5)
Total comprehensive income/ (expenses) for the year, net of tax		252,175	211,360	19.3	11,818	239,438	(95.1)

Figures in brackets indicate deductions.

The accounting policies and the notes on pages from 140 to 246 form an integral part of the Financial Statements.

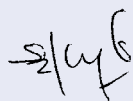
STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Company			Group		
		2025 Rs.'000	2024 Rs.'000	Change %	2025 Rs.'000	2024 Rs.'000	Change %
Assets							
Cash and cash equivalents	20	618,703	752,190	(17.7)	891,554	854,028	4.4
Placements with banks & financial institutions	21	-	203,332	(100.0)	452,254	644,044	(29.8)
Financial investments at fair value through profit or loss	22	7,634,038	8,534,914	(10.6)	7,652,964	8,547,974	(10.5)
Loans & receivables at amortised cost	23	39,585,583	25,942,008	52.6	39,586,838	25,946,502	52.6
Financial investments at fair value through other comprehensive income	24	54	16,554	(99.7)	126,834	135,058	(6.1)
Financial investments at amortised cost	25	4,425,177	3,473,969	27.4	5,051,559	4,498,689	12.3
Real estate stock	26	26,029	40,446	(35.6)	26,029	40,446	(35.6)
Investment in associate company	27	81,084	81,084	-	177,966	178,169	(0.1)
Investment in subsidiary	28	318,568	348,261	(8.5)	-	-	-
Investment properties	29	-	-	-	-	-	-
Property, equipment and right-of-use assets	30	1,080,743	467,355	131.2	1,139,639	542,233	110.2
Intangible assets	31	38,374	61,329	(37.4)	40,147	64,097	(37.4)
Deferred tax assets	38	130,134	91,893	41.6	130,830	100,473	30.2
Other assets	32	449,308	186,673	140.7	884,192	520,495	69.9
Total assets		54,387,795	40,200,008	35.3	56,160,806	42,072,208	33.5
Liabilities							
Due to banks	33	14,889,904	8,144,088	82.8	14,894,488	8,144,088	82.9
Due to customers at amortised cost	34	31,792,758	25,956,175	22.5	31,620,482	25,739,758	22.8
Debt issued and borrowed funds at amortised cost	35	1,821,393	730,033	149.5	1,821,393	730,033	149.5
Insurance contract liabilities-life	36.1	-	-	-	539,669	454,704	18.7
Insurance contract liabilities-non life	36.2	-	-	-	572,437	397,423	44.0
Current tax liabilities	37	166,186	209,437	(20.7)	166,186	209,437	(20.7)
Other liabilities	39	1,159,257	895,070	29.5	1,543,426	1,407,777	9.6
Retirement benefits obligations	40	424,091	383,174	10.7	434,666	394,127	10.3
Total liabilities		50,253,589	36,317,977	38.4	51,592,747	37,477,347	37.7

STATEMENT OF FINANCIAL POSITION (CONTD.)

As at 31 December	Note	Company			Group		
		2025 Rs.'000	2024 Rs.'000	Change %	2025 Rs.'000	2024 Rs.'000	Change %
Equity							
Stated capital	41	4,276,448	4,276,448	-	4,276,448	4,276,448	-
Statutory reserves	42.1	450,501	392,265	14.8	450,501	392,265	14.8
Retained earnings	42.2	(1,011,105)	(1,189,204)	(15.0)	(885,779)	(940,832)	(5.9)
RLA reserve	42.3	418,362	424,622	(1.5)	418,362	424,622	(1.5)
RR reserve	42.4	-	-	-	-	35,443	(100.0)
OCI reserve	42.5	-	(22,100)	(100.0)	5,736	(22,206)	125.8
Total equity attributable to equity holders of the parent		4,134,206	3,882,031	6.5	4,265,268	4,165,740	2.4
Non controlling interests		-	-	-	302,791	429,121	(29.4)
Total equity		4,134,206	3,882,031	6.5	4,568,059	4,594,861	(0.6)
Total liabilities and equity							
		54,387,795	40,200,008	35.3	56,160,806	42,072,208	33.5
Commitments and contingent liabilities	47	61,624	48,858	26.1	105,791	56,665	86.7
Net assets value per share (Rs.)		7.88	7.40	6.5	8.13	7.94	2.4

These Financial Statements have been prepared in compliance with the requirements of the companies Act No. 7 of 2007.



A. C. P. Ekanayake
Chief Financial Officer



H. K. D. W. M. D. K. Hapuhinna
Chief Executive Officer

The board of directors is responsible for these Financial Statements. Approved and signed for and on behalf of the board by;



H. P. K. Silva
Director



G. A. Jayashantha
Director

Figures in brackets indicate deductions.

The accounting policies and the notes on pages from 140 to 246 form an integral part of the Financial Statements.

27 March 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025		Stated capital	Statutory reserves	RLA reserves	OCI reserve	Retained earnings	Total equity
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2024	4,276,448	344,174	371,590	(31,892)	(1,289,648)	3,670,672	
Net profit/(loss) for the year	-	-	-	-	240,454	240,454	
Other comprehensive income, net of tax	-	-	-	2,750	(31,845)	(29,095)	
Transfer to retain earnings	-	-	-	7,042	(7,042)	-	
Transfers to regulatory loss allowance reserve	-	-	53,032	-	(53,032)	-	
Transfers to statutory reserve fund	-	48,091	-	-	(48,091)	-	
Balance as at 31 December 2024	4,276,448	392,265	424,622	(22,100)	(1,189,204)	3,882,031	
Balance as at 01 January 2025	4,276,448	392,265	424,622	(22,100)	(1,189,204)	3,882,031	
Net profit/(loss) for the year	-	-	-	-	265,522	265,522	
Other comprehensive income, net of tax	-	-	-	13,004	(26,351)	(13,347)	
Transfer to retain earnings	-	-	-	9,096	(9,096)	-	
Transfers to regulatory loss allowance reserve	-	-	(6,260)	-	6,260	-	
Transfers to statutory reserve fund	-	58,236	-	-	(58,236)	-	
Balance as at 31 December 2025	4,276,448	450,501	418,362	-	(1,011,105)	4,134,206	

For the year ended 31 December 2025		Stated capital	RR Reserve	Statutory reserves	RLA reserves	OCI reserve	Retained earnings	Non controlling interests	Total equity
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2024	4,276,448	-	344,174	371,590	(33,607)	(1,042,034)	438,852	435,423	4,355,423
Net profit/(loss) for the year	-	-	-	-	-	260,338	5,308	265,646	265,646
Other comprehensive income, net of tax	-	-	-	-	4,359	(31,899)	1,332	(26,208)	(26,208)
Transfer to retain earnings	-	-	-	-	7,042	(7,042)	-	-	-
Transferred to policy holder fund on one off surplus	-	35,443	-	-	-	(19,072)	(16,371)	-	-
Transfers to regulatory loss allowance reserve	-	-	-	53,032	-	(53,032)	-	-	-
Transfers to statutory reserve fund	-	-	48,091	-	-	(48,091)	-	-	-
Balance as at 31 December 2024	4,276,448	35,443	392,265	424,622	(22,206)	(940,832)	429,121	4,594,861	
Balance as at 01 January 2025	4,276,448	35,443	392,265	424,622	(22,206)	(940,832)	429,121	4,594,861	
Net profit/(loss) for the year	-	-	-	-	-	148,540	(127,959)	20,581	20,581
Other comprehensive income, net of tax	-	-	-	-	14,456	(24,881)	1,661	(8,764)	(8,764)
Transfer to retain earnings	-	-	-	-	9,096	(9,096)	-	-	-
Transferred to policy holder fund on one off surplus	-	(35,443)	-	-	-	-	-	(35,443)	(35,443)
Transfers to regulatory loss allowance reserve	-	-	-	(6,260)	-	6,260	-	-	-
Transfers to statutory reserve fund	-	-	58,236	-	-	(58,236)	-	-	-
Prior year adjustment made to OCI reserve	-	-	-	-	4,390	(7,534)	(32)	(3,176)	(3,176)
Balance as at 31 December 2025	4,276,448	-	450,501	418,362	5,736	(885,779)	302,791	4,568,059	

Figures in brackets indicate deductions.

The accounting policies and the notes on pages from 140 to 246 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Accounting Policy

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flow in accordance with the Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows is comprised of those items as explained in Note 20.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cash flows from operating activities					
Profit/(loss) before income tax		510,957	445,909	301,937	475,894
Adjustments for :					
Net interest income	5	(2,969,550)	(2,186,790)	(3,177,083)	(2,464,254)
WHT movement for the year	37.1	(7,225)	(6,674)	(7,225)	(6,674)
Impairment charges for loans and other losses	12	(111,515)	(46,193)	(111,515)	(46,193)
Impairment (reversal)/charge of investment in subsidiary	28	29,693	4,435	-	-
Share of associate company's profit/(loss) before tax	27.1	-	-	(108,649)	(13,232)
Depreciation and amortisation	14	295,628	291,078	331,150	327,722
Profit from sales of real estate		(3,163)	(5,126)	(3,163)	(5,126)
Profit from sales of property & equipment		(50,784)	(7,893)	(50,784)	(7,893)
Dividend income from associates		(73,650)	-	-	-
Dividend income from financial assets at FVTPL		(1,734)	(10,914)	(1,798)	(10,951)
Contribution to defined benefit plans	40	72,622	73,878	74,921	76,931
Fair value change of financial assets	10	586,908	(257,327)	584,637	(258,939)
		(1,721,813)	(1,705,616)	(2,167,572)	(1,932,715)
Interest paid to customers at amortised cost		(2,728,225)	(3,587,723)	(2,728,225)	(3,587,723)
Interest paid on other borrowings		(1,006,415)	(627,693)	(1,015,792)	(639,310)
Interest received on loans & receivables at amortised cost		5,951,168	4,417,787	5,951,168	4,417,787
Interest received on other investment		1,166,572	2,055,740	1,383,482	2,344,821
Gratuity paid	40	(69,349)	(90,564)	(70,244)	(95,102)
Change in operating assets					
Loans & receivables at amortised cost		(13,399,283)	(6,815,623)	(13,396,044)	(6,814,870)
Other operating assets		(979,979)	(122,940)	(1,018,007)	(117,091)
Change in operating liabilities					
Due to customers at amortised cost		5,459,410	758,762	5,459,410	758,762
Insurance provision		-	-	224,536	(212,631)
Other liabilities		427,287	219,812	331,949	220,136
Net cash generated from/(used in) operating activities before income tax					
		(6,900,627)	(5,498,059)	(7,045,339)	(5,657,936)
Tax paid		(297,361)	(42,693)	(297,361)	(42,693)
Net cash generated from/(used in) operating activities					
		(7,197,988)	(5,540,752)	(7,342,700)	(5,700,629)

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cash flows from investing activities					
Net increase/(decrease) in financial investments at FVTOCI		(826,479)	160,245	(436,418)	698,144
Proceeds from real estate stock		17,581	22,839	17,581	22,839
Net (increase)/decrease in placements with banks & financial institutions		150,000	350,000	182,600	(37,645)
Net (increase)/decrease in investment of government securities at FVTPL		327,173	(401,113)	327,173	(401,113)
Net (increase)/decrease in other financial investments at FVTPL		(70,250)	205,019	(70,250)	205,019
Purchase of property & equipment	30.1	(160,265)	(48,759)	(163,012)	(49,009)
Purchase of intangible assets	31.2	(9,839)	(35,407)	(10,044)	(36,812)
Proceeds from sale of property & equipment		50,837	8,180	50,837	8,180
Dividends received		75,384	10,914	1,798	10,951
Net cash used in investing activities		(445,858)	271,918	(99,735)	420,554
Cash flows from financing activities					
Net increase/(decrease) reverse repo and repo agreements		4,152,795	2,400,000	4,152,795	2,400,000
Net increase/(decrease) in other borrowings at amortised cost		2,961,000	2,965,000	2,961,000	2,965,000
Payments made under operating leases	39.1	(235,035)	(225,602)	(270,017)	(260,218)
Net cash used in financing activities		6,878,760	5,139,398	6,843,778	5,104,782
Net decrease in cash and cash equivalents during the year		(765,086)	(129,436)	(598,657)	(175,293)
Cash and cash equivalents at the beginning of year		554,066	683,502	655,904	831,197
Cash and cash equivalents at the end of year		(211,020)	554,066	57,247	655,904
Analysis of cash and cash equivalents at the end of the year					
Cash and short-term funds	20	618,703	752,190	891,554	854,028
Dues to banks	33.1	(829,723)	(198,124)	(834,307)	(198,124)
		(211,020)	554,066	57,247	655,904

Figures in brackets indicate deductions.

The accounting policies and the notes on pages from 140 to 246 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

This section gives a description of the reporting entity, the principal activities of the Company and the Group entity and the identification of Financial Statements and its authorisation.

1.1 Reporting Entity

Merchant Bank of Sri Lanka & Finance PLC (MBSL) is a public quoted company incorporated in 1982 and domiciled in Sri Lanka. It is registered under the provisions of the Finance Business Act No. 42 of 2011. The ordinary shares of the Company are listed in the Colombo Stock Exchange. The Company was re-registered under the Companies Act No.07 of 2007. The Company changed its name as Merchant Bank of Sri Lanka & Finance PLC with effect from November 21, 2014 and it was formerly known as Merchant Bank of Sri Lanka PLC. MBSL Savings Bank Limited and MCSL Financial Services Limited were amalgamated with Merchant Bank of Sri Lanka & Finance PLC on 01 January 2015. Consequent to the amalgamation Merchant Bank of Sri Lanka & Finance PLC remains as the surviving entity. The registered office of the Company is located at the Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03.

Number of Employees

The staff strength of the Company and the Group as at 31 December 2025 were 900 and 1,029 respectively. (870 and 1042 as at 31 December 2024)

1.2 Consolidated Financial Statements

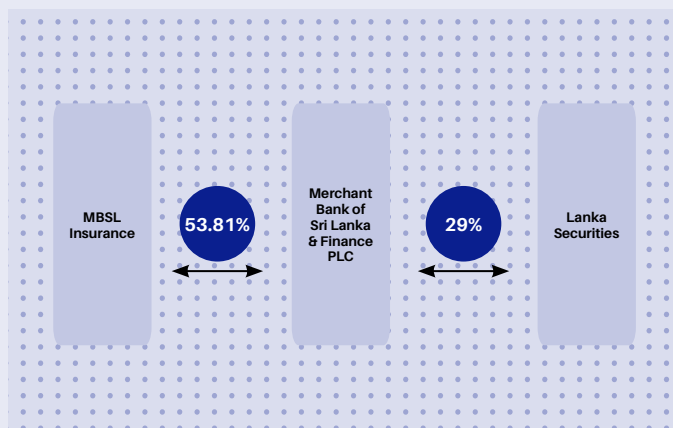
The Consolidated Financial Statements of Merchant Bank of Sri Lanka & Finance PLC for the year ended 31 December 2025, comprise the Company and its subsidiary (together referred to as the 'Group'), and the Group's interest in its associate company.

Parent Entity & Ultimate Parent Entity

In the opinion of the Directors, the Company's parent entity and its ultimate parent entity is Bank of Ceylon.

1.3 Group Information

Ownership by the Company in its Subsidiary and Associate.



Principal Activities and Nature of Operations

Entity	Principal business activities
Company	
Merchant Bank of Sri Lanka & Finance PLC	Leasing, corporate and retail credit, margin trading, micro financing, agricultural credit facilities, real estate, gold loan, corporate advisory services, capital market operations and accepting of savings and fixed deposits.
Subsidiary	
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance.
Associate	
Lanka Securities (Pvt) Limited	Registered stock broker which engages in equity trading, debt trading and margin trading.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 December 2025 (including comparatives) were approved and authorised for issue on 27 March 2026 in accordance with the resolution of the Board of Directors on 27 March 2026.

2. BASIS OF PREPARATION

This section provides the basis of preparation and presentation of Financial Statements including significant accounting policies and application of Sri Lanka Accounting Standards and other related statutory requirements.

2.1 Basis of Preparation and Other Significant Accounting Policies

Summary of significant accounting policies, significant accounting judgements, estimates and assumptions used, other general accounting policies and Sri Lanka Financial Reporting Standards (SLFRS) not yet adopted are provided in this section. All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective notes.

2.2 Statement of Compliance

The consolidated Financial Statements of the Group and the Separate Financial Statements of the Company, as at 31 December 2025 and for the year ended, have been prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri

Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No.42 of 2011, Regulation of Insurance Industry Act No.43 of 2000 and the Listing Rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

- Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review
- The Statement of Financial Position providing the information on the Financial Position of the Company and the Group as at year end
- The Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group
- The Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- Notes to the Financial Statements comprising accounting policies and other explanatory information

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility in relation to the Financial Statements, as set out in the 'Statement of Directors' Responsibility for Financial Reporting', 'Annual Report of the Board of Directors on the Affairs of the Company' and in the certification on the Statement of Financial Position.

2.4 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on accrual basis under historical cost convention and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements except for the following material items in the Statement of Financial Position and Statement of Comprehensive Income.

Item	Basis of Measurement	Note no./s
Financial investments at fair value through profit or loss	Fair value	22
Financial investments at fair value through other comprehensive income (Financial Investments-OCI)	Fair value	24
Retirement benefits obligations	Retirement benefits obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date.	40
Freehold land and buildings and buildings on leasehold lands are measured at	Cost less any subsequent accumulated depreciation and impairment losses.	29, 30

2.5 Functional and Presentation Currency

The Financial Statements of the Company and the Group are presented in Sri Lankan Rupees, which is the currency of the economic environment in which the Company and the Group operates.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. The accounting principles are applied consistently other than where specially disclosed with due regard to prudence, materiality and substance over form criteria as explained in Sri Lanka Accounting Standard LKAS 01 - 'Presentation of Financial Statements'. Where appropriate, the accounting policies are disclosed in the succeeding notes.

2.7 Use of Materiality, Offsetting and Rounding Materiality & Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 01 - 'Presentation of Financial Statements'.

Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, (Rs.'000) except where otherwise indicated Sri Lanka Accounting Standards - LKAS 01 - 'Presentation of Financial Statements'.

2.8 Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the relevant notes as follows.

- Impairment losses on non-financial assets - Note No. 28
- Deferred tax liabilities - Note No. 38
- Provision for impairment of loans and receivables - Note No. 23
- Retirement benefits obligation - Note No. 40
- Provision and contingent liabilities - Note No. 47.

2.8.1 Going Concern

The Company has recorded a profit of Rs. 265.5 Mn during the year. Based on the strategies/actions taken by the Group, the Directors have assessed the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8.2 Events After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date on which the Financial Statements are authorised for issue.

2.9 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the

inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The Consolidated Financial Statements for the year ended 31 December 2025 comprise the Financial Statements of the Company (Parent Company) and its subsidiary (together referred to as the 'Group') and the Company's interest in associate company as per the requirements of Sri Lanka Financial Reporting Standard - SLFRS 10 - 'Consolidated Financial Statements' and Sri Lanka Accounting Standard - LKAS 27 - 'Consolidated and Separate Financial Statements' and the proportionate share of the profit or loss and net assets of its Associates as per the requirements of Sri Lanka Accounting Standard - LKAS 28 - 'Investment in Associates and Joint Ventures'. The Financial Statements of all companies in the Group have common financial year which ends on 31 December, and use consistent accounting policies.

Intra-group balances and transactions, income and expenses and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as per requirements of Sri Lanka Financial Reporting Standard - SLFRS 03 - 'Business Combinations'.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquire, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the

operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

3.3 Common Control Business Combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka.

Accordingly,

- The net assets of the combining entities are consolidated using the existing book values.
- No amount is recognised as goodwill which arise as a result of difference between the consideration and net assets acquired.
- Comparative amounts in the Financial Statements are restated as if the companies had been combined at the previous Financial Position date.

3.3.1 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3.3.2 Transactions Eliminated on Consolidations

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.4 Foreign Currency

3.4.1 Foreign Currency Transactions and Balances

All foreign exchange transactions are converted to functional currency which is Sri Lankan Rupees (Rs.), at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are re-translated to the functional currency equivalents at the spot exchange rate prevailing at the Financial Position date.

The gains or losses arising on translation of monetary items are recognised in the Statement of Profit or Loss.

3.5 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.5.1 Date of Recognition

Financial assets and financial liabilities are initially recognised when a Group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- Name or labels given to the instruments
- Presence or absence of a fixed maturity date
- Life of the instrument
- Source of payments
- Right to enforce payments
- Rights to participate in management
- Risk involved in the instruments
- Volatility of cash flows
- Securities given as collaterals

3.5.2 Effective Interest Method (EIR)

The effective interest method (EIR) is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial instruments other than those financial assets classified as fair value through profit or loss.

3.5.3 Financial Investments at Fair Value Through Profit or Loss (FVTPL)

Details of "Financial investments at fair value through profit or loss (FVTPL)" are given in Note No. 22

3.5.4 Loans & Receivables at Amortised Cost

Details of "Loans & receivables at amortised cost" are given in Note No. 23

3.5.5 Financial Investments at Amortised Cost

Details of "Financial investments at amortised cost" are given in Note No. 25

3.5.6 Financial Investments at Fair Value Through Other Comprehensive Income (FVTOCI)

Details of "Financial investments at fair value through other comprehensive income" are given in Note No. 24

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.5.7 Classification & Subsequent Measurement of Financial Liabilities

At the inception financial liabilities are classified in to one of the following categories:

- Financial liabilities designated at fair value through profit or loss
- Financial liabilities at amortised cost
- Due to customers at amortised cost
- Debt issued and borrowed funds at amortised cost

The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

3.5.7.1 Financial Liabilities Designated at Fair Value Through Profit or Loss

Financial liabilities classified in this category are those that have been designated by the management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition and designation is determined on an instrument by instrument basis.

Financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Interest arose is accrued in 'Interest expense', using the EIR.

3.5.7.2 Financial Liabilities at Amortised Cost

Financial instruments issued by the Company and the Group that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost.

After the initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method as a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period.

3.5.8 Initial Measurements of Financial Instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

3.5.9 Business Model Assessment

Company and the Group determines it's business model at the level that best reflects how it manages the financial assets to achieve it's objectives. The Company's and the Group's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as :

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the Group's key Management personnel.

- The risks that affects the performance of the business model (and the financial asset held within that business model) and, in particular, the way those are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected).
- The expected frequency, value and timing of sales are also important aspect of Company and Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'Worst Case' or 'Stress Case' scenarios in to account. If cash flows after initial recognition are realised in away that is different from the Company's and the Group's original expectation, the Company and the Group do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

3.5.10 Contractual Cash Flow Characteristic Test

As the second test of the classification process the Company and the Group assess the contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle & Interest (SPPI).

Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Company and the Group applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than demonisms exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely the payment of principle and interest on the amount outstanding. In such cases the financial asset is required to be measured at FVTPL.

3.5.11 Impairment of Financial Assets

3.5.11.1 Overview of Expected Credit Loss Principle (ECL)

ECL allowance is based on credit losses expected to arise over the life of the asset (Lifetime Expected Credit Loss or 'LTECL'), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12-month expected credit loss (12mECL).

12mECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within 12-months.

The Company has established a policy to perform an assessment, at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition. Based on such process Company groups loans in to stage 1, stage 2, stage 3 as described below :

- Stage 1 : When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include the facilities where the credit risk has improved and the loans has been re-classified from Stage 2. Assessment of Stage 1 will be performed collectively.
- Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3. Assessment of stage 3 will be performed collectively.
- Stage 3 : Loan considered to be credit Impaired/contains objective evidence of incurred losses records an allowance for the LTECL. Stage 3 assessment will be performed Individual/ Collectively.

The Group's expectations of economic impacts, key assumptions used in the Group's calculation of ECL have been revised.

The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.5.11.6, while the impact on changing the weightages of different macro- economic scenarios during the year are given in Note 48.2.1.

3.5.11.2 Significant Increase in Credit Risk

The Company continuously monitors all assets subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assess whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the either of the following criteria are met :

- Facilities exceeding 30 days past due.
- Counterparties/facilities reflected coded any elevated risk industries as per the assessment performed by the Credit Risk Management Team.
- Re-structured facilities.
- Secondary qualitative indicators triggering a significant increase in credit risk for an asset, such as moving a customer/facility to watch list.

3.5.11.3 Individually Significant Assessment and Not Impaired Individually

Individual assessment will be performed for all the customers with objective evidence of incurred losses (under stage 3). Loans which are individually significant but not impaired will be assessed

collectively for impairment either under stage 1 or stage 2 based on the criteria whether there have been significant credit deterioration since origination.

While establishing significant credit deterioration the Company will consider the following criteria :

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument.
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioral score used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic condition that are expected to cause significant change in the borrower's ability to meet it's obligation.
- An actual or expected significant change in the operating results of the borrower in relating to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing, liquidity management problems.
- Significant increase in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower's ability to meet the debt obligation.

3.5.11.4 In anticipation of the potential adverse economic impacts arising from Cyclone Dithwa, the Economic Factor Adjustment (EFA) has been revised to reflect the expected deterioration in key macroeconomic indicators.

3.5.11.5 Grouping Financial Assets Measured on a Collective Basis

As explained above, the Company calculates ECL either on collective or individual basis. Asset classes where the Company calculates ECL on an individual basis includes all individually significant assets which are belong to stage 3. All assets which belong stage 1 & 2 will be assessed collectively for impairment.

The Company groups these exposures for smaller homogenous exposures, based on a combination of internal and external characteristics of the loan as described below :

- Product Type
- Type of Collateral
- Days Past Due

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.5.11.6 The Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The Mechanics of the ECL Calculation are Outlined Below and the Key Elements are as Follows :

- PD : The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD : Exposure at Default is the estimate of the exposure at a future default date, taking in to account expected changes after the reporting date, including repayments of the principle and interest, whether scheduled by contract to otherwise, expected draw downs on committed facilities.
- LGD : Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realisation of any collateral. It is usually expressed as a % of the EAD.

When estimating the ECL, the Company considers 3 scenarios (Base Case, Best Case & Worst Case). Each of these scenarios associated with different loss rates. For all products the Company considers the maximum period of which the credit losses are determined is the contractual life of a financial instrument.

3.5.11.7 Forward Looking Information

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

Quantitative	Qualitative
<ul style="list-style-type: none">• GDP Growth	<ul style="list-style-type: none">• Government Policies
<ul style="list-style-type: none">• Inflation	<ul style="list-style-type: none">• Status of the Industry Business
<ul style="list-style-type: none">• Unemployment	<ul style="list-style-type: none">• Regulatory Impact
<ul style="list-style-type: none">• Interest Rates	
<ul style="list-style-type: none">• Exchange Rates	

The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments, the Group changed the values of the key macro-economic variables in the impairment calculation model including the GDP growth rate, unemployment

rate, interest rate, exchange rate etc. These values have been determined based on the most recent forecasts available as at the date of the calculation. To ensure completeness and accuracy, the Group obtains the above data primarily from the Central Bank of Sri Lanka (CBSL).

3.5.11.8 Modified Financial Assets

The Company makes concessions or modifications to the original terms of loans as response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. Such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

When the loan has been renegotiated or modified but not de-recognised, a reassessment is made whether there has been a significant increase in credit risk, as set out in Note 23.4.8 to the Financial Statements. Accordingly all rescheduled loans are classified as Stage 3 unless upgraded due to satisfactory performing period. Further loans which have been restructured one time and days past due less than 90 days are classified as Stage 2. If restructured two times, move to the next stage beyond the existing stage while such loans which have been restructured more than three times are classified as Stage 3.

3.5.11.9 Collateral Repossessed

Repossession of collateral is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

3.5.11.10 Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

3.5.11.11 Definition of Default and Credit Impaired Assets

The Group generally considers financial assets as defaulted and therefore assessed in Stage 3 (as credit-impaired) for ECL calculations when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- The borrower becomes 90 days past due on its contractual payments.
- In addition, the Group classifies the financial investments (excluding securities issued by Government of Sri Lanka) under Stage 3 when the external credit rating assigned to the particular investment is “default”.
- In assessing whether a borrower is in default, Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Group considers customers with one or more of the default indicators as credit impaired.

3.5.11.12 De-recognition of Financial Assets and Financial Liabilities

3.5.11.12.1 Financial Assets

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

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the Other Comprehensive Income is recognised in the Statement of Profit or Loss.

When the Company and the Group have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s and the Group’s continuing involvement in the asset. In that case, the Company and the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and the Group have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company and the Group could be required to repay.

3.5.11.12.2 Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on

substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

3.5.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

3.5.13 Determination of Fair Value

The fair value for financial instruments traded in active markets at the Statement of Financial Position date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group’s best estimate of the most appropriate model assumptions.

3.6 Impairment of Non-Financial Assets

The Group assesses at each Statement of Financial Position date to ascertain, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or Cash Generating Units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered as impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Impairment losses are recognised immediately in the Statement of Profit or Loss. For assets excluding goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Previously recognised impairment losses are reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

3.7 Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position Date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.8 Revenue from Contracts with Customers

The core principle of SLFRS 15 is that an entity has to recognise revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as disclosed below.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when the entity satisfies a performance obligation

3.9 Significant Accounting Policies that are Specific to the Business of the Subsidiary - MBSL Insurance Company Limited

3.9.1 Deferred Expenses

3.9.1.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period

on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying asset amortisation is recorded in the Statement of Profit or Loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

3.9.1.2 Deferred Expenses - Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised.

3.9.2 Reinsurance

The subsidiary-MBSL Insurance (MBSLI) cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the MBSLI may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the MBSLI will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

The subsidiary-MBSLI also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.9.3 Insurance Contract Liabilities

3.9.3.1 Life Insurance Contract Liabilities

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act,

No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses.

Any deficiency is recognised in the income statement by setting up a provision for liability adequacy.

3.9.3.2 Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Liability Adequacy Test (LAT)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of comprehensive income by setting up a provision for liability adequacy.

3.9.3.3 Investment Contract Liabilities

Investment contracts are classified between contracts with and without Discretionary Participation Feature (DPF). The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of Financial Position. Fair value adjustments are performed at each reporting date and are recognised in the statement of comprehensive income. Fair value is determined through the use of prospective discounted cash flow techniques. For unithised contracts, fair value is calculated as the number of units allocated to the policy holder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-unithised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

3.9.4 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contracts surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.10 Company as a Lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Company as a Lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as finance leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.11 SLFRS-16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.11.1 Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 30 - property, equipment and right-of-use assets and are subject to impairment in line with the Company's policy as described in Note 3.6, Impairment of non-financial assets.

Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

3.11.2 Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12 New and Amended Standards and Interpretations

The new and amended standards and interpretations that are issued up to the date of issuance of the (Group/Company's) financial statements but are not effective for the current annual reporting period, are disclosed below. The (Group/Company) intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Accounting Standard	Description	Effective Date	Assessment of the Impact on the Company/Group
SLFRS 17-Insurance Contracts	<p>SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:</p> <ul style="list-style-type: none"> • 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 <p>SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.</p>	On or after 1 January 2026	The amendments are not expected to have a material impact on the Group/ Company's financial statement or The Group / Company is currently assessing the impact the amendments will have on current practice.
SLFRS 18 Presentation and Disclosure in Financial Statements	<p>SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated.</p> <p>The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations.</p> <p>SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information.</p>	On or after 1 January 2027	The potential impact of SLFRS 18 on the Financial Statements and the related notes is currently being identified and evaluated.
Amendments to SLFRS 9 and SLFRS 7 Classification and Measurement of Financial Instruments	<p>The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability-linked terms and nature-dependent electricity contracts.</p>	On or after 1 January 2027	The amendments are not expected to have a material impact on the Financial Statements

Apart from the above there were no new accounting standards/ amendments to existing accounting standards that became effective during the year. The Group has applied all relevant accounting standards which have been issued up to 31st December 2025 in the preparation of the Financial Statements for the year ended 31st December 2025.

3.12.1 Finance Business Act Directions Issued by the Central Bank of Sri Lanka Credit Risk Management

In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank of Sri Lanka hereby issues these directions on Credit Risk Management to every Finance Company (FC) licensed under the Finance Business Act, No. 42 of 2011.

These directions outline the key principles for a sound credit risk management framework and the FC shall adopt the principles and practices provided in these directions. These directions shall be effective from 01.01.2025.

Operational Risk Management

In terms of the powers conferred by Section 12(1) of the Finance Business Act, No.42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank Of Sri Lanka hereby issues these directions on Operational Risk Management to all Finance Companies (FCs) licensed under the Finance Business Act, No.42 of 2011.

The FCs with assets of Rs. 100 Bn and above shall comply With these directions with effect from 01.01.2026, and FCs with Assets less than Rs. 100 Bn shall comply with these Directions with effect from 01.01.2027.

Guidelines on Remuneration Policies and Disclosure Requirements

These guidelines are issued with the objective of improving consistency, fairness and transparency in remunerating the directors and senior management of Finance Companies (FCs) licensed under the Finance Business Act, No. 42 of 2011, with reference to the Finance Business Act (Corporate Governance) Direction No.05 of 2021.

These guidelines shall be applicable to all FCs, effective from the financial year 2025/26.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Specific Accounting Policies and Notes

This section provides specific accounting policies and accounting estimates in relation to the reported values in the Financial Statements with additional notes and explanations.

4. INCOME

Accounting Policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and revenue can be reliably measured. The specific recognition criteria, for each type of gross income, given under the respective income notes.

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Interest and similar income	7,243,533	6,207,886	7,442,102	6,467,481
Fee and commission income	233,879	211,880	257,546	236,802
Insurance premium income	-	-	272,462	408,020
Net trading gain/(loss)	782,290	804,725	782,354	804,762
Net gain/(loss) on financial instruments at fair value through profit or loss	(586,908)	257,327	(581,041)	261,789
Other operating income	232,109	100,905	174,419	110,368
	7,904,903	7,582,723	8,347,842	8,289,221

5. NET INTEREST INCOME

Accounting Policy

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, shorter period to the net carrying amount of the financial asset.

As per SLFRS 9, the interest income and expense presented in the Statement of Profit or Loss include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVTOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

When calculating the EIR for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs).

When a financial asset becomes credit-impaired (as set out in Note 12.1) and is, therefore, regarded as 'stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures are no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Once the recorded value of a financial assets or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Overdue Interest

Interest from overdue rentals have been accounted for on a cash received basis.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Interest and similar income					
Loans & receivables at amortised cost	5.1	6,082,633	4,347,067	6,082,633	4,347,067
Financial investments at FVTPL & amortised cost		1,137,349	1,748,671	1,152,468	1,783,157
Placements with banks & financial institutions		23,551	112,148	207,001	337,257
		7,243,533	6,207,886	7,442,102	6,467,481
Interest and similar expenses					
Due to banks		501,193	362,667	502,774	363,152
Due to customers at amortised cost	5.2	3,105,399	3,341,017	3,087,059	3,311,530
Interest expense on lease liabilities	39.1	72,623	45,494	80,419	56,627
Debt issued and borrowed funds at amortised cost		594,768	271,918	594,768	271,918
		4,273,983	4,021,096	4,265,020	4,003,227
Net interest income		2,969,550	2,186,790	3,177,083	2,464,254

5.1 Interest and Similar Income

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Finance lease/ijarah	2,634,606	2,007,248	2,634,606	2,007,248
Hire purchase/murabaha	1,613	739	1,613	739
Term loans	770,878	463,740	770,878	463,740
Short term loans	1,013,792	507,822	1,013,792	507,822
Personal loans	41,556	66,206	41,556	66,206
Pawning	1,269,270	904,538	1,269,270	904,538
Micro finance	2,502	608	2,502	608
Loans against fixed deposits	90,475	108,174	90,475	108,174
Margin trading	257,941	287,992	257,941	287,992
Government securities	1,137,349	1,748,671	1,152,468	1,783,157
Placement with banks	23,551	112,148	207,001	337,257
	7,243,533	6,207,886	7,442,102	6,467,481

5.2 Interest and Similar Expenses - Due to Customers Product Wise

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Savings deposits	68,136	56,813	68,137	56,657
Term deposits	3,037,263	3,284,204	3,018,922	3,254,873
	3,105,399	3,341,017	3,087,059	3,311,530

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6. NET FEE AND COMMISSION INCOME

Fee and Commission Income

Accounting Policy

Fee and commission income is earned from a diverse range of services provided by the Group to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- Income earned from the provision of services is recognised as revenue as the services are provided;

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Fee and commission income				
Trade & other related activities	233,879	211,880	227,780	200,512
Others	-	-	29,766	36,290
	233,879	211,880	257,546	236,802
Fee and commission expenses				
Commission expenses	94,055	43,332	87,956	49,503
	94,055	43,332	87,956	49,503
Net fee and commission income	139,824	168,548	169,590	187,299

7. INSURANCE PREMIUM INCOME

Accounting Policy

Gross Premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

Reinsurance Premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

For the year ended 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
Non-life insurance	463,268	617,879
Life insurance	23,365	23,933
Total gross written premium	486,633	641,812
Premium ceded to reinsurers	(229,727)	(305,519)
Net premium income	256,907	336,292
Change in unearned premium provisions-net	15,556	71,727
Total net earned premium	272,462	408,020

8. NET CLAIMS AND BENEFITS

Gross Benefits and Claims

Accounting Policy

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

For the year ended 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
General insurance		
Claims paid	347,810	481,697
Claims outstanding	190,571	(202,578)
	538,381	279,119
Reinsurance on claims paid	(31,625)	(38,689)
Reinsurance on claims outstanding	(139,803)	(12,603)
Reinsurance recoveries	(171,429)	(51,292)
General insurance net claim and benefits	366,952	227,827

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

8. NET CLAIMS AND BENEFITS (CONTD)

For the year ended 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
Life insurance		
Claims paid	43,398	31,271
Change in life insurance contract liabilities	73,884	73,236
	117,282	104,507
Claims outstanding	(13,613)	(2,699)
Gross claims - death, disability and hospitalisation	103,669	101,808
Reinsurance on claims outstanding	-	(170)
Reinsurance recoveries	-	(170)
Shareholder's profit	5,673	9,466
Long term insurance net claim and benefits	97,996	92,512
Underwriting and net acquisition costs	(3,084)	7,103
Net claims and benefits	461,864	327,442

9. NET TRADING INCOME

Accounting Policy

Results arising from trading activities include gain/(loss) on disposal of financial assets at FVTPL.

Dividend Income

Dividend income shall be recognised when the Group's right to receive payment is established.

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Gain/(loss) on disposal of quoted shares	49,179	18,075	49,179	18,075
Gain/(loss) on disposal of unquoted shares	7,800	-	7,800	-
Gain/(loss) on disposal of government securities	723,577	775,736	723,577	775,736
Dividend income from financial assets at FVTPL	1,734	10,914	1,798	10,951
Net trading income	782,290	804,725	782,354	804,762

10. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Fair value gains and losses attributable to changes in the fair values of the equity and debt securities classified under financial assets at FVTPL is recognised in the Statement of Profit or Loss, when there is a change to the fair value of the asset.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities		(558,310)	110,730	(558,310)	110,730
Quoted securities	22.2	(28,598)	146,597	(22,731)	151,059
		(586,908)	257,327	(581,041)	261,789

11. OTHER OPERATION INCOME

Accounting Policy

Other operating income includes gains on disposal of property & equipment, dividend income, profit & losses from real estates, profit & losses from investment properties and write-off collection.

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Profit on sale of real estate	3,164	5,126	3,163	5,126
Recovery of bad debts written off	75,449	60,350	75,449	60,350
Dividend income from associates	73,650	-	-	-
Profit/(loss) on sale of property, equipment and right-of-use assets including foreclosed properties	52,837	9,615	52,837	9,615
Other income	27,009	25,814	42,970	35,277
	232,109	100,905	174,419	110,368

12. ALLOWANCE FOR IMPAIRMENT LOSSES CHARGE FOR LOANS AND OTHER ASSETS

Accounting Policy

The Company and the Group recognised the changes in the impairment provisions for loans and receivables which are assessed as per Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments'. The methodology adopted by the Company and the Group is explained in Note 3.5 to the Financial Statements.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Loans and receivables to customers					
Impairment on individually significant loans	23	(599,402)	839,109	(599,402)	839,109
Impairment on collective loans	23	(78,753)	(1,090,263)	(78,753)	(1,090,263)
Write-off	12	565,327	108,763	565,327	108,763
Total impairment charges for loans and receivables to customers		(112,828)	(142,391)	(112,828)	(142,391)
Cash and cash equivalents	20.1.1	(13)	(25)	(13)	(25)
Placements with banks & financial institutions	21.1	(22)	(65)	(22)	(65)
Other assets		1,348	96,288	1,348	96,288
		(111,515)	(46,193)	(111,515)	(46,193)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

12. ALLOWANCE FOR IMPAIRMENT LOSSES CHARGE FOR LOANS AND OTHER ASSETS (CONTD)

12.1 Analysis of Impairment Charges

The below table shows the ECL charges on financial instruments for the year recorded in the Statement of Profit or Loss.

For the year ended 31 December	Company 2025		Group 2025	
	Individual Rs.'000	Collective Rs.'000	Individual Rs.'000	Collective Rs.'000
Loans & receivables at amortised cost				
Stage 1	-	21,648	-	21,648
Stage 2	-	26,200	-	26,200
Stage 3	(599,402)	(126,601)	(599,402)	(126,601)
Write-off				
Stage 3	565,327	-	565,327	-
Cash and cash equivalents				
Stage 1	-	(13)	-	(13)
Placements with banks & financial institutions				
Stage 1	-	(22)	-	(22)
Other assets				
Stage 3	1,348	-	1,348	-
Total impairment charges/(reversal)	(32,727)	(78,788)	(32,727)	(78,788)

For the year ended 31 December	Company 2024		Group 2024	
	Individual Rs.'000	Collective Rs.'000	Individual Rs.'000	Collective Rs.'000
Loans & receivables at amortised cost				
Stage 1	-	53,248	-	53,248
Stage 2	-	(21,890)	-	(21,890)
Stage 3	839,109	(1,121,620)	839,109	(1,121,620)
Write-off				
Stage 3	108,763	-	108,763	-
Cash and cash equivalents				
Stage 1	-	(25)	-	(25)
Placements with banks & financial institutions				
Stage 1	-	(65)	-	(65)
Other assets				
Stage 3	96,287	-	96,287	-
Total impairment charges	1,044,159	(1,090,352)	1,044,159	(1,090,352)

13. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of obligation.

Defined Contribution Plan - Employees' Provident Fund and Employees' Trust Fund (EPF & ETF)

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Group and employees contributes 12% and 8% of gross emoluments of employees to Employees' Provident Fund. The Group contributes 3% of gross emoluments of employees to the Employees' Trust Fund.

Defined Benefit Plan - Gratuity

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - 'Employee Benefit' as explained in Note 40.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Staff emoluments		1,280,868	1,199,760	1,410,125	1,356,258
Employers' contribution to defined contribution & benefit plans					
Employees' Provident Fund		117,524	101,581	130,679	117,020
Employees' Trust Fund		29,394	25,395	32,683	29,255
Retirement benefit expenses	40.1	72,622	73,878	74,921	76,931
		1,500,408	1,400,614	1,648,408	1,579,464

14. DEPRECIATION AND AMORTISATION

Accounting Policy

Depreciation

Depreciation is recognised in the Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation of an asset ceases at the earlier of that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active unless the asset is fully depreciated.

Depreciation of right-of-use assets are presented together with property and equipment in the Statement of Profit or Loss, refer to the accounting policy in Note 3.11.1. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The estimated useful lives for the current and comparative years are as follows:

Class of Asset	Percentage Per Annum (%)	Period
Motor vehicles	20	5 years
Computers & accessories	20	5 years
Building	5	20 years
Other assets	10-50	2-10 years

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

14. DEPRECIATION AND AMORTISATION (CONTD)

Amortisation of Intangible Assets

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Class of Asset	Percentage Per Annum (%)	Period
Computer software	12.5-20	5-8 Years

All classes of property, equipment and intangible assets together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and the end of the year are given in Note 30 and 31.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Depreciation of investment property	29	-	703	-	703
Depreciation of property, equipment and right-of-use assets	30	262,834	249,180	297,156	284,813
Amortisation of intangible assets	31	32,794	41,195	33,994	42,206
		295,628	291,078	331,150	327,722

15. OTHER OPERATING EXPENSES

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property & equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at that profit for the year.

Directors' Emoluments

Directors' emoluments include fees paid to non-executive directors.

Crop Insurance Levy

The Crop Insurance Levy (CIL) was introduced with effect from 1 April 2013, as per the provisions of the section 14 of the Finance Act No. 12 of 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Directors' emoluments	9,088	4,992	9,357	7,322
Auditors' remuneration				
Audit fees	2,963	2,830	4,566	4,402
Non audit fees	577	577	913	905
Professional & legal fees	30,551	79,249	19,800	81,673
Donations	-	-	335	-
Insurance premium for deposits paid to the central bank	43,957	38,291	43,957	38,291
Crop insurance levy	2,916	2,610	2,916	2,610
Advertising and business promotional expenses	110,827	126,307	110,827	126,307
Office administration & establishment expenses	705,311	774,809	873,496	931,098
	906,190	1,029,665	1,066,167	1,192,608

16. TAXES

16.1 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non – cash benefits and provisions relating to terminal benefits.

Vat rate applied for the current financial year is 18% (2024-18%).

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No. 25 of 2022 (SSCL Act), at the rate of 2.5% with effect from 01 October 2022. SSCL is payable on 100% if the value addition attributable to financial services. Further non-financial services are made liable on the turnover at the rate of 2.5%.

The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

SSCL rate applied for the current financial year is 2.5% (2024-2.5%).

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Value Added Tax on financial services	352,846	342,638	352,846	342,638
Social Security Contribution Levy (SSCL)	52,658	50,149	52,658	50,149
	405,504	392,787	405,504	392,787

16.2 Income Tax Expense

Accounting Policy

16.2.1 Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, amendments thereto Act No.10 of 2021 effect from 13th May, 2021 and the Inland Revenue (Amendment) Act No. 45 of 2022, at the rate specified in Note 16.2 to the Financial Statements. This Note also includes the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes'.

Treatment of Impairment charges

As per Part 1: Sec (1) of the Gazette notification issued on 25 October 2022 under sub section (2) and (3) of section 66 of the Inland Revenue Act No. 24 of 2017, the impairment charges of Stage 3 credit facilities classified as per Sri Lanka Accounting Standards (SLFRS 9) have been considered as an allowable deduction (after adjusting for specifications given under section 1 of schedule 1 of the said Gazette notification).

The Company/ Group has computed the current year tax payable at the rate of 30%.

16.2.2 Deferred Tax

Deferred tax asset has been recognised on all temporary difference arising on impairment provisions after adjustments been made in respect of impairment charges pertaining to stage 3 credit facilities, based on the specifications given in section 1 of schedule (i) of the Gazette notification issued on 25 October 2022 under Inland Revenue Act No. 24 of 2017.

The deferred tax assets/liabilities of the Company as at 31 December 2025 were computed using the tax rate of 30%.

Detailed disclosure of accounting policies and estimate of deferred tax are available in the Note 38 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

16. TAXES (CONTD)

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Current tax expense					
Current tax based on profit for the year	16.3	260,907	230,696	260,907	230,696
Over provision in respect of previous years		429	-	429	-
Other (reversal)/charge including settlements		-	(1,947)	-	(1,947)
WHT on dividend income		11,048	-	11,048	-
Share of associate company's current tax		-	-	32,605	3,970
Total current tax expense		272,384	228,749	304,989	232,719
Deferred tax expense/(reversal)					
Due to change in temporary differences	38.1	(26,948)	(23,294)	(23,633)	(22,471)
Total deferred tax expense/(reversal)		(26,948)	(23,294)	(23,633)	(22,471)
Total income tax expense/(reversal)		245,435	205,455	281,356	210,248
Effective tax rate		48.03%	46.08%	93.18%	44.18%

16.3 Reconciliation of the Accounting Profit to Current Tax Expense

For the year ended 31 December	Company				Group			
	Rate %	2025 Rs.'000	Rate %	2024 Rs.'000	Rate %	2025 Rs.'000	Rate %	2024 Rs.'000
Profit as per the Statement of Profit or Loss		510,957		445,909		301,937		475,894
Tax effect on accounting profit before tax	30.0	153,287	30.0	133,773	30.0	72,875	30.0	132,918
Tax effect on								
Disallowable expenses	(43.7)	223,047	(44.6)	198,754	(43.7)	236,261	(44.6)	223,105
Lease capital recoverable	(0.8)	4,112	(1.1)	4,797	(0.8)	4,112	(1.1)	(4,825)
Tax deductible expenses	(15.3)	(78,368)	(12.2)	(54,571)	(15.3)	(93,200)	(12.2)	(59,885)
Exempt income	(8.1)	(41,171)	(11.7)	(52,057)	(8.1)	(78,483)	(11.7)	(108,467)
Tax losses/(set-off)	0.0	-	0.0	-	0.0	119,341	-	47,850
Current tax based on profit for the year	51.1	260,907	51.7	230,696	86.4	260,907	48.5	230,696
Over provision in respect of previous years	0.1	429	0.0	-	0.1	429	0.0	-
Share of associate company's current tax	0.0	-	0.0	-	6.4	32,605	0.0	3,970
Other (reversal)/charge including settlements	0.0	-	(0.4)	(1,947)	0.0	-	(0.4)	(1,947)
WHT on dividend income	2.2	11,048	-	-	2.2	11,048	-	-
Deferred tax expense/(reversal)								
Due to change in temporary differences	(5.3)	(26,949)	(5.2)	(23,294)	(5.3)	(23,633)	(5.2)	(22,471)
Total income tax expense/(reversal)	48.0	245,435	46.1	205,455	93.2	281,356	44.2	210,248

16.4 The Break Up of Tax Losses is as Follows;

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	-	-	1,703,999	1,780,732
Tax loss during the year	-	-	(397,806)	158,418
Tax loss utilised during the year	-	-	(147,125)	(235,151)
Balances as at 31 December	-	-	1,159,068	1,703,999

16.5 Taxes Paid to the Government During the Year

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Direct taxes				
Income Tax	297,361	42,693	297,361	42,693
Value added tax on financial services	361,190	352,100	361,190	352,100
Social security contribution levy	51,611	52,588	65,699	52,588
Crop insurance levy	3,502	313	3,502	313
Tax clearance charges	11,594	12,123	11,654	12,123
Total direct taxes	725,258	459,817	739,406	459,817
Indirect taxes				
Value added tax	16,906	16,630	60,091	172,109
Withholding tax on interest	225,571	210,072	228,860	213,571
Stamp duty	48,006	58,556	48,599	59,363
PAYE/APIIT tax	44,554	53,711	52,404	65,265
Total indirect taxes	335,037	338,969	389,954	510,308

17. EARNINGS/(DEFICIT) PER SHARE AND DIVIDEND PER SHARE

Basic/Diluted Earnings Per Share

Accounting Policy

As per the Sri Lanka Accounting Standard - LKAS 33 - 'Earnings per Share', is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Group does not have any potentially dilutive shares.

For the year ended 31 December	Company		Group	
	2025	2024	2025	2024
Profit attributable to ordinary shareholders (Rs.'000)	265,522	240,454	148,540	260,338
Weighted-average number of ordinary shares used as denominator ('000)	524,540	524,540	524,540	524,540
Basic earnings per ordinary share (Rs.)	0.51	0.46	0.28	0.50

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

17. EARNINGS/(DEFICIT) PER SHARE AND DIVIDEND PER SHARE (CONTD)

17.1 Weighted Average Number of Shares

For the year ended 31 December	Company		Group	
	2025	2024	2025	2024
Brought forward number of shares	524,540	524,540	524,540	524,540
Weighted-average number of shares	524,540	524,540	524,540	524,540

17.2 Dividend Per Share

No dividend has been declared and paid by the Company and the Group during the year 2025 and 2024.

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting Policy

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments' under heading of the Statement of Financial Position.

18.1 Company - 2025

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	618,703	618,703
Financial investments at fair value through profit or loss	7,634,038	-	-	7,634,038
Loans & receivables at amortised cost	-	-	39,585,583	39,585,583
Financial investments at fair value through other comprehensive income	-	54	-	54
Financial investments at amortised cost	-	-	4,425,177	4,425,177
Other assets	-	-	160,311	160,311
Total financial assets	7,634,038	54	44,789,774	52,423,866

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	14,889,904	14,889,904
Due to customers at amortised cost	31,792,758	31,792,758
Debt issued and borrowed funds at amortised cost	1,821,393	1,821,393
Other liabilities	77,908	77,908
Total financial liabilities	48,581,963	48,581,963

18.2 Company - 2024

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	752,190	752,190
Placements with banks & financial institutions	-	-	203,332	203,332
Financial investments at fair value through profit or loss	8,534,914	-	-	8,534,914
Loans & receivables at amortised cost	-	-	25,942,008	25,942,008
Financial investments at fair value through other comprehensive income	-	16,554	-	16,554
Financial investments at amortised cost	-	-	3,473,969	3,473,969
Other assets	-	-	78,232	78,232
Total financial assets	8,534,914	16,554	30,449,731	39,001,199

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	8,144,088	8,144,088
Due to customers at amortised cost	25,956,175	25,956,175
Debt issued and borrowed funds at amortised cost	730,033	730,033
Other liabilities	132,820	132,820
Total financial liabilities	34,963,116	34,963,116

18.3 Group - 2025

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	891,554	891,554
Placements with banks & financial institutions	-	-	452,254	452,254
Financial investments at fair value through profit or loss	7,652,964	-	-	7,652,964
Loans & receivables at amortised cost	-	-	39,586,838	39,586,838
Financial investments at fair value through other comprehensive income	-	126,834	-	126,834
Financial investments at amortised cost	-	-	5,051,559	5,051,559
Other assets	-	-	160,311	160,311
Total financial assets	7,652,964	126,834	46,142,516	53,922,314

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD)

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	14,894,488	14,894,488
Due to customers at amortised cost	31,620,482	31,620,482
Debt issued and borrowed funds at amortised cost	1,821,393	1,821,393
Other liabilities	77,908	77,908
Total financial liabilities	48,414,271	48,414,271

18.4 Group - 2024

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	854,028	854,028
Placements with banks & financial institutions	-	-	644,044	644,044
Financial investments at fair value through profit or loss	8,547,974	-	-	8,547,974
Loans & receivables at amortised cost	-	-	25,946,502	25,946,502
Financial investments at fair value through other comprehensive income	-	135,058	-	135,058
Financial investments at amortised cost	-	-	4,498,689	4,498,689
Other assets	-	-	78,232	78,232
Total financial assets	8,547,974	135,058	32,021,495	40,704,527

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	8,144,088	8,144,088
Due to customers at amortised cost	25,739,758	25,739,758
Debt issued and borrowed funds at amortised cost	730,033	730,033
Other liabilities	132,820	132,820
Total financial liabilities	34,746,698	34,746,698

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Policy

Determination of Fair Value and Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at FVTPL valued using valuation techniques or pricing models primarily consist of quoted investments. These quoted investments are valued using quoted market price in an active market of each securities.

Financial Assets and Liabilities Carried at Amortised Cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the discounted cash flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a traded price may not be possible. In these circumstances, the Company/Group uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

19.1 Determination of Fair Value and Fair Value Hierarchy

The Company and the Group use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

19.1.1 Company

As at 31 December	Note	2025				2024			
		Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total	Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total
Financial assets									
Financial investments measured at FVTPL									
Government securities	22.1	7,296,561	-	-	7,296,561	8,239,090	-	-	8,239,090
Investment securities - Quoted	22.2, 22.4	337,476	-	-	337,476	295,824	-	-	295,824
		7,634,037	-	-	7,634,037	8,534,914	-	-	8,534,914
Financial investments measured at Amortised Cost									
Cash in hand	20	359,708	-	-	359,708	281,011	-	-	281,011
Cash at bank	20	258,995	-	-	258,995	471,179	-	-	471,179
Fixed deposits and other deposits	21	-	-	-	-	-	203,332	-	203,332
Loans & receivables	23	-	45,227,802	-	45,227,802	-	22,794,684	-	22,794,684
Government securities	25.1	4,425,177	-	-	4,425,177	3,473,969	-	-	3,473,969
		5,043,880	45,227,802	-	50,271,682	4,226,159	22,998,016	-	27,224,175

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

19.1.1 Company Contd.

As at 31 December	Note	Company				Group			
		Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total	Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total
Financial investments measured at FVTOCI									
Equity securities - Quoted	24.2	-	-	-	-	16,500	-	-	16,500
Equity securities - Unquoted	24.3	-	-	54	54	-	-	54	54
		-	-	54	54	16,500	-	54	16,554
Total		12,677,917	45,227,802	54	57,905,773	12,777,573	22,998,016	54	35,775,643

The following table shows an analysis of financial instruments recorded at fair value by collateralisation:

As at 31 December	Company	
	2025 Rs.'000	2024 Rs.'000
Pledged as collateral	8,054,641	3,271,383
Unencumbered	49,851,132	32,504,260
Total	57,905,773	35,775,644

19.1.2 Group

As at 31 December	Note	2025				2024			
		Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total	Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total
Financial assets									
Financial investments measured at FVTPL									
Government securities	22.1	7,296,561	-	-	7,296,561	8,239,090	-	-	8,239,090
Investment securities - Quoted	22.2, 22.4	356,402	-	-	356,402	308,884	-	-	308,884
		7,652,963	-	-	7,652,963	8,547,974	-	-	8,547,974
Financial investments measured at Amortised Cost									
Cash in hand	20	360,055	-	-	360,055	281,423	-	-	281,423
Cash at bank	20	322,370	-	-	322,370	570,459	-	-	570,459
Repurchase agreements		-	209,129	-	209,129	-	2,146	-	2,146
Fixed deposits and other deposits	21	-	452,254	-	452,254	-	644,044	-	644,044
Loans & receivables	23	-	45,227,802	-	45,227,802	-	22,794,684	-	22,794,684
Government securities	25.1	5,051,559	-	-	5,051,559	4,498,689	-	-	4,498,689
		5,733,984	45,889,185	-	51,623,169	5,350,571	23,440,874	-	28,791,445
Financial investments measured at FVTOCI									
Government securities	24	108,550	-	-	108,550	101,699	-	-	101,699
Equity securities - Quoted	24.2	-	-	-	-	16,500	-	-	16,500
Equity securities - Unquoted	24.3	-	-	54	54	-	-	54	54
Unit trust	24	-	18,230	-	18,230	-	16,805	-	16,805
		108,550	18,230	54	126,834	118,199	16,805	54	135,058
Total		13,495,497	45,907,415	54	59,402,966	14,016,744	23,457,679	54	37,474,477

The following table shows an analysis of financial instruments recorded at fair value by collateralisation:

As at 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
Pledged as collateral	8,054,641	3,271,383
Unencumbered	51,348,325	34,203,094
Total	59,402,965	37,474,478

19.1.3 Company

As at 31 December	Note	2025				2024			
		Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total	Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total
Financial liabilities									
Financial liabilities measured at Amortised Cost									
Bank overdraft	33.1	-	829,723	-	829,723	-	198,124	-	198,124
Reverse repurchase agreements	33	-	6,562,543	-	6,562,543	-	2,408,440	-	2,408,440
Bank borrowings - Short-term loans	33	-	4,261,737	-	4,261,737	-	5,056,813	-	5,056,813
Bank borrowings - Long-term loans	33	-	3,235,901	-	3,235,901	-	480,711	-	480,711
Due to customers at amortised cost	34	-	28,983,335	-	28,983,335	-	25,756,040	-	25,756,040
Debt issued and borrowed funds at amortised cost	35	-	1,821,393	-	1,821,393	-	730,033	-	730,033
Total		-	45,694,632	-	45,694,632	-	34,630,161	-	34,630,161

19.1.4 Group

As at 31 December	Note	2025				2024			
		Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total	Rs.'000 Level 1	Rs.'000 Level 2	Rs.'000 Level 3	Rs.'000 Total
Financial liabilities									
Financial liabilities measured at Amortised Cost									
Bank overdraft	33.1	-	834,307	-	834,307	-	198,124	-	198,124
Reverse repurchase agreements	33	-	6,562,543	-	6,562,543	-	2,408,440	-	2,408,440
Bank borrowings - Short-term loans	33	-	4,261,737	-	4,261,737	-	5,056,813	-	5,056,813
Bank borrowings - Long-term loans	33	-	3,235,901	-	3,235,901	-	480,711	-	480,711
Due to customers at amortised cost	34	-	28,983,335	-	28,983,335	-	25,756,040	-	25,756,040
Debt issued and borrowed funds at amortised cost	35	-	1,821,393	-	1,821,393	-	730,033	-	730,033
Total		-	45,699,215	-	45,699,215	-	34,630,161	-	34,630,161

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD)

19.2 Accounting Policy

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques incorporating group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Instruments Carried at Fair Value

The fair value is the amount for which a financial asset could be exchanged between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, which is the case for a number of financial assets and liabilities, a discounted cash flow or generally accepted estimation and valuation techniques based on market conditions at the reporting date are used to calculate an estimated value.

Financial Investments at Fair Value Through Other Comprehensive Income

FVTOCI financial assets valued using valuation techniques or pricing models primarily consist of government debt securities and unquoted equity securities.

These assets are valued using models that use both observable and unobservable data. The un-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Other Financial Assets Designated at Fair Value Through Profit or Loss

Other financial assets designated at FVTPL valued using the market price since an active market exists.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

19.2.1

As at 31 December	Company				Group			
	2025		2024		2025		2024	
	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000
Financial assets								
Placements with banks & financial institutions	-	-	203,332	203,332	452,254	452,254	644,044	644,044
Loans & receivables at amortised cost	39,585,583	45,227,802	25,942,008	22,794,684	39,586,838	45,227,802	25,946,502	22,794,684
Financial investments at amortised cost	4,425,177	4,425,177	3,473,969	3,473,969	5,051,559	4,425,177	4,498,689	3,473,969
Other assets	160,311	160,311	78,232	78,232	160,311	160,311	78,232	78,232
Total	44,171,071	49,813,290	29,697,541	26,550,217	45,250,962	50,265,544	31,167,467	26,990,929
Financial liabilities								
Due to customers at amortised cost	31,792,758	28,983,335	25,956,175	25,756,040	31,620,482	28,983,335	25,739,758	25,756,040
Due to banks	8,327,361	8,327,361	5,735,648	5,735,648	8,331,944	8,331,944	5,735,648	5,735,648
Reverse repurchase agreements	6,562,543	6,553,271	2,408,440	2,408,440	6,562,543	6,553,271	2,408,440	2,408,440
Debt issued and borrowed funds at amortised cost	1,821,393	1,835,927	730,033	776,847	1,821,393	1,835,927	730,033	776,847
Other liabilities	77,908	77,908	132,820	132,820	77,908	77,908	132,820	132,820
Total	48,581,963	45,777,802	34,963,116	34,809,795	48,414,270	45,782,385	34,746,699	34,809,795

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity it is assumed that the carrying amounts approximate to their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

20. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. There were no cash and cash equivalent balances held by the Group companies that were not available for use by the Group. Cash & cash equivalents are carried at amortised cost.

Securities Purchased Under Resale Agreements

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'net interest income' and is accrued over the life of the agreement using the EIR.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cash in hand		359,708	281,011	360,055	281,423
Cash at bank	20.1	258,995	471,179	322,370	570,459
Repurchase agreements		-	-	209,129	2,146
		618,703	752,190	891,554	854,028

20.1 Analysis of Cash at Banks

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cash at bank		259,000	471,197	322,375	570,477
Less: Allowance for impairment losses					
Collective impairment	20.1.1	5	18	5	18
		258,995	471,179	322,370	570,459

20.1.1 Movement of Impairment During the Year - Company

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	43	-	-	43
Charge during the year	(25)	-	-	(25)
Balance as at 31 December 2024	18	-	-	18
Reversals during the year	(13)	-	-	(13)
Balance as at 31 December 2025	5	-	-	5

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

20. CASH AND CASH EQUIVALENTS (CONTD)

20.1.1 Movement of Impairment During the Year - Group

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	43	-	-	43
Charge during the year	(25)	-	-	(25)
Balance as at 31 December 2024	18	-	-	18
Reversals during the year	(13)	-	-	(13)
Balance as at 31 December 2025	5	-	-	5

20.1.2 Cash and Cash Equivalents Allocated for the Liquidity Requirement

As at 31 December	Company	
	2025 Rs.'000	2024 Rs.'000
Cash in hand	359,812	280,756
Balances in current accounts free from lien	352,171	452,098
	711,983	732,854

21. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS

Accounting Policy

Balances with banks & financial institutions includes fixed deposits and other deposits in local currency. Balances with banks & financial institution are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Fixed deposits and other deposits		-	203,354	452,254	644,066
Less : Allowance for impairment losses					
Collective impairment	21.1	-	22	-	22
		-	203,332	452,254	644,044

21.1 Movement of Impairment During the Year - Company

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	(87)	-	-	(87)
Charge during the year	65	-	-	65
Balance as at 31 December 2024	(22)	-	-	(22)
Charge during the year	22	-	-	22
Balance as at 31 December 2025	-	-	-	-

21.2 Movement of Impairment During the Year - Group

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	(87)	-	-	(87)
Charge during the year	65	-	-	65
Balance as at 31 December 2024	(22)	-	-	(22)
Charge during the year	22	-	-	22
Balance as at 31 December 2025	-	-	-	-

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Financial investments are classified as FVTPL if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net gain/(loss) on financial instruments at fair value through profit or loss'. Interest and dividend income or expenses is record in 'Net trading income' and 'Other operating income' according to the terms of the contract, or when the right to receive the payment has been established.

Financial investments at FVTPL include debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities	22.1	7,296,561	8,239,090	7,296,561	8,239,090
Investment securities - Quoted	22.2, 22.4	337,476	295,824	356,402	308,884
		7,634,038	8,534,914	7,652,964	8,547,974

22.1 Government Securities

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Treasury bonds	7,296,561	8,239,090	7,296,561	8,239,090
	7,296,561	8,239,090	7,296,561	8,239,090

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

22.2 Quoted Equities and Unit Trusts

Company

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Application Software						
hSenid Business Solutions PLC	-	-	-	65,000	1,362	793
					1,362	793
Banks						
Amana Bank PLC	-	-	-	10,212	270	250
Hatton National Bank PLC	2,143	825	854	-	-	-
		825	854		270	250
Capital Goods						
Access Engineering PLC	47,983	3,501	3,517	-	-	-
Brown & Company PLC	175,000	38,911	28,350	150,000	35,244	26,738
Cable Solutions PLC	2,250,000	33,985	33,300	-	-	-
Colombo Dockyard PLC	-	-	-	90,000	7,105	5,931
E B Creasy & Company PLC	-	-	-	26,660	830	765
John Keells Holdings PLC	700,000	16,248	15,190	-	-	-
Lanka Tiles PLC	135,000	7,779	6,737	7,500	734	438
Lanka Walltiles PLC	153,467	8,239	7,673	-	-	-
Lankem Ceylon PLC	-	-	-	13,500	1,252	1,080
Luminex PLC	92,354	638	628	-	-	-
Mackwoods Energy PLC	-	-	-	1,350,000	4,194	2,970
MTD Walkers PLC	-	-	-	165,000	6,751	-
Royal Ceramics Lanka PLC	500,000	24,549	23,000	202,000	11,251	8,787
		133,850	118,395		67,361	46,709
Consumer Durables & Apparel						
Blue Diamonds Jewellery Worldwide PLC-Non Voting	5,250,000	3,125	1,575	5,250,000	3,125	1,575
Dankotuwa Porcelain PLC	-	-	-	10,000	259	235
Hayleys Fabric PLC	120,502	6,065	4,904	-	-	-
Hela Apparel Holdings PLC	3,977,150	20,833	12,329	750,000	5,646	4,425
		30,023	18,808		9,030	6,235
Commercial & Professional Services						
E M L Consultants PLC	-	-	-	925,000	3,906	3,793
					3,906	3,793
Consumer Services						
Anilana Hotels & Properties PLC	750,000	1,106	750	750,000	1,106	675
Asian Hotels and Properties PLC	70,000	4,798	4,200	8,097	462	514
Bansei Royal Resorts Hikkaduwa PLC	140,282	3,110	3,184	-	-	-
Beruwala Resorts PLC	1,000,000	4,145	3,800	-	-	-

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Browns Beach Hotels PLC	50,000	1,400	1,290	-	-	-
Citrus Leisure PLC	3,700,000	17,626	15,910	2,250,000	11,281	10,125
Eden Hotel Lanka PLC	775,040	13,290	10,541	235,249	5,288	3,905
Galadari Hotels (Lanka) PLC	150,000	2,950	2,775	-	-	-
Hikkaduwa Beach Resort PLC	2,247,143	8,731	9,213	420,952	2,413	1,515
Mahaweli Reach Hotels PLC	23,670	525	457	-	-	-
Palm Garden Hotels PLC	30,000	2,549	2,007	44,289	2,774	3,251
The Kingsbury PLC	-	-	-	2,175,454	23,483	26,105
Waskaduwa Beach Resort PLC	4,500,000	14,841	9,000	3,750,000	13,291	7,875
	-	75,071	63,127	-	60,098	53,965
Diversified Financials						
Ceylon Investment PLC	-	-	-	101,907	8,492	7,480
HNB Finance PLC	-	-	-	42,500	355	238
Lanka Credit & Business Finance PLC	-	-	-	1,136,561	4,107	3,069
LOLC Finance PLC	575,000	10,159	3,278	575,000	10,159	3,853
LOLC Holdings PLC	19,998	10,046	11,199	95,000	46,984	65,574
Nation Lanka Finance PLC	500,000	200	50	500,000	200	150
Shaw Wallace Investments PLC	75,000	963	825	-	-	-
SMB Finance PLC-Non Voting	-	-	-	8,500,000	4,050	2,550
Softlogic Finance PLC	-	-	-	122,056	4,215	720
Vallibel Finance PLC	-	-	-	10,001	393	533
		21,368	15,352		78,955	84,167
Food Beverage & Tobacco						
Agalawatta Plantations PLC	-	-	-	208,325	10,048	9,708
Browns Investments PLC	6,750,000	59,389	44,550	5,000,000	45,894	35,500
Ceylon Cold Stores PLC	55,000	5,951	5,995	-	-	-
Hapugastenne Plantations PLC	15,000	1,273	795	-	-	-
HVA Foods PLC	3,251,020	12,445	11,053	565,789	2,831	2,320
Kotmale Holdings PLC	-	-	-	2,233	926	980
Lanka Milk Foods PLC	270	18	18	10,000	320	468
Lucky Lanka Milk Processing Company PLC	-	-	-	2,514,546	14,958	-
Madulsima Plantations PLC	50,000	700	600	-	-	-
Raigam Wayamba Salterns PLC	-	-	-	293,839	2,161	2,145
Renuka Agri Foods PLC	-	-	-	1,575,000	7,259	5,828
Tea Small Holder Factories PLC	8,190	434	381	-	-	-
		80,210	63,392		84,397	56,949
Health Care Equipment & Services						
Asiri Hospital Holdings PLC	50,000	1,793	1,500	5,000	210	129
Asiri Surgical Hospital PLC	-	-	-	124,860	1,685	1,498
E - Channelling PLC	40,000	695	632	104,000	1,584	1,435
Nawaloka Hospital PLC	-	-	-	50,000	245	220

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
The Lanka Hospitals Corporation PLC	-	-	-	7,500	661	596
		2,488	2,132		4,385	3,878
Household & Personal Products						
B P L Holdings PLC	-	-	-	89,971	2,132	1,943
	-	-	-	-	2,132	1,943
Insurance						
Arpico Insurance PLC	-	-	-	10,000	300	265
Softlogic Capital PLC	2,000,000	13,789	10,200	1,000,000	8,226	6,000
	-	13,789	10,200	-	8,526	6,265
Materials						
AgStar PLC	-	-	-	300,000	2,646	2,490
Alumex PLC	21,511	441	439	-	-	-
Bogala Graphite Lanka PLC	-	-	-	45,002	3,479	2,750
CIC Holdings PLC-Non Voting	525,000	13,681	13,703	-	-	-
Dipped Products PLC	80,000	5,376	4,888	25,000	1,306	1,363
Ex-Pack Corrugated Cartons PLC	646,006	9,799	9,109	50	1	1
Haycarb PLC	-	-	-	67,000	6,213	5,715
Lanka Aluminium Industries PLC	6,278	304	307	-	-	-
Pelwatte Sugar Industries PLC	-	-	-	41,600	1,799	-
Richered Peries Export PLC	2,500	1,300	993	2,500	1,300	1,048
		30,901	29,439		16,744	13,367
Real Estate						
Colombo Land & Development Company PLC	-	-	-	79,939	2,753	1,847
East West Properties PLC	-	-	-	610,000	7,043	6,771
Lanka Realty Investments PLC	-	-	-	321,876	6,833	4,474
Millennium Housing Developers PLC	-	-	-	10,000	36	31
					16,665	13,123
Retailing						
C M Holdings PLC	-	-	-	5,000	625	601
Ceylon Tea Brokers PLC	100,000	890	890	-	-	-
		890	890		625	601
Telecommunication Services						
Sri Lanka Telecom PLC	-	-	-	3,600	252	250
					252	250
Trading						
Tess Agro PLC	-	-	-	2,500,000	3,038	3,000
Tess Agro PLC-Non Voting	-	-	-	670,353	638	536
					3,676	3,536

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Utilities						
LAUGFS Power PLC	50,000	810	700	-	-	-
LAUGFS Power PLC-Non Voting	150,000	1,858	1,500	-	-	-
Resus Energy PLC	60,000	3,230	2,808	-	-	-
Vallibel One PLC	100,000	9,812	9,880	-	-	-
		15,710	14,888		-	-
Total value of financial assets at FVTPL		405,125	337,476		358,382	295,824
Marked to market valuation loss		(67,649)			(62,558)	
Fair value of financial assets designated at FVTPL		337,476			295,824	

22.3 GICS Analysis of Equity Securities

As at 31 December	2025		2024	
	Total Cost Rs.'000	Fair Value Rs.'000	Total Cost Rs.'000	Fair Value Rs.'000
Application Software	-	-	1,362	793
Banks	825	854	270	250
Capital Goods	133,850	118,395	67,360	46,709
Consumer Durables & Apparel	30,023	18,809	9,030	6,235
Commercial & Professional Services	-	-	3,906	3,793
Consumer Services	75,072	63,127	60,098	53,966
Diversified Financials	21,368	15,351	78,954	84,166
Food Beverage & Tobacco	80,210	63,393	84,396	56,948
Health Care Equipment & Services	2,488	2,132	4,385	3,878
Household & Personal Products	-	-	2,132	1,943
Insurance	13,789	10,200	8,526	6,265
Materials	30,902	29,438	16,744	13,367
Real Estate	-	-	16,664	13,123
Retailing	890	890	625	601
Telecommunication Services	-	-	252	250
Trading	-	-	3,677	3,536
Utilities	15,710	14,888	-	-
Total value of financial assets at FVTPL	405,125	337,476	358,382	295,824
Marked to market valuation loss	(67,649)	-	(62,558)	-
Fair value of financial assets designated at FVTPL	337,476	-	295,824	-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

22.4 Quoted Equities and Unit Trusts

Group

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Application Software						
hSenid Business Solutions PLC	-	-	-	65,000	1,362	793
					1,362	793
Banks						
Amana Bank PLC	-	-	-	10,212	270	250
Hatton National Bank PLC	2,143	825	854	-	-	-
		825	854		270	250
Capital Goods						
Access Engineering PLC	47,983	3,501	3,517	-	-	-
Brown & Company PLC	175,000	38,911	28,350	150,000	35,244	26,738
Cable Solutions PLC	2,250,000	33,985	33,300	-	-	-
Colombo Dockyard PLC	-	-	-	90,000	7,105	5,931
E B Creasy & Company PLC	-	-	-	26,660	830	765
John Keells Holdings PLC	913,710	19,592	19,828	21,371	3,344	4,830
Lanka Tiles PLC	135,000	7,779	6,737	7,500	734	438
Lanka Walltiles PLC	153,467	8,239	7,673	-	-	-
Lankem Ceylon PLC	-	-	-	13,500	1,252	1,080
Luminex PLC	92,354	638	628	-	-	-
Mackwoods Energy PLC	-	-	-	1,350,000	4,194	2,970
MTD Walkers PLC	-	-	-	165,000	6,751	-
Royal Ceramics Lanka PLC	500,000	24,549	23,000	202,000	11,251	8,787
		137,194	123,033		70,705	51,539
Consumer Durables & Apparel						
Blue Diamonds Jewellery Worldwide PLC-Non Voting	5,250,000	3,125	1,575	5,250,000	3,125	1,575
Dankotuwa Porcelain PLC	-	-	-	10,000	259	235
Hayleys Fabric PLC	120,502	6,065	4,904	-	-	-
Hela Apparel Holdings PLC	3,977,150	20,833	12,329	750,000	5,646	4,425
		30,023	18,808		9,030	6,235
Commercial & Professional Services						
E M L Consultants PLC	-	-	-	925,000	3,906	3,793
					3,906	3,793

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Consumer Services						
Anilana Hotels & Properties PLC	750,000	1,106	750	750,000	1,106	675
Asian Hotels and Properties PLC	70,000	4,798	4,200	8,097	462	514
Bansei Royal Resorts Hikkaduwa PLC	140,282	3,110	3,184	-	-	-
Beruwala Resorts PLC	1,000,000	4,145	3,800	-	-	-
Browns Beach Hotels PLC	50,000	1,400	1,290	-	-	-
Citrus Leisure PLC	3,700,000	17,626	15,910	2,250,000	11,281	10,125
Eden Hotel Lanka PLC	775,040	13,290	10,541	235,249	5,288	3,905
Galadari Hotels (Lanka) PLC	150,000	2,950	2,775	-	-	-
Hikkaduwa Beach Resort PLC	2,247,143	8,731	9,213	420,952	2,413	1,515
Mahaweli Reach Hotels PLC	23,670	525	457	-	-	-
Palm Garden Hotels PLC	30,000	2,549	2,007	44,289	2,775	3,251
The Kingsbury PLC	-	-	-	2,175,454	23,483	26,105
Waskaduwa Beach Resort PLC	4,500,000	14,841	9,000	3,750,000	13,291	7,875
		75,071	63,127		60,099	53,965
Diversified Financials						
Ceylon Investment PLC	-	-	-	101,907	8,492	7,480
Galle Face Capital Partners PLC	21,150	1,006	2,073	20,659	1,006	897
HNB Finance PLC	-	-	-	42,500	355	238
Lanka Credit & Business Finance PLC	-	-	-	1,136,561	4,107	3,069
LOLC Finance PLC	575,000	10,159	3,278	575,000	10,159	3,853
LOLC Holdings PLC	19,998	10,046	11,199	95,000	46,984	65,574
Nation Lanka Finance PLC	500,000	200	50	500,000	200	150
Shaw Wallace Investments PLC	89,311	1,135	982	14,311	172	132
SMB Finance PLC-Non Voting	-	-	-	8,500,000	4,050	2,550
Softlogic Finance PLC	-	-	-	122,056	4,215	720
Vallibel Finance PLC	-	-	-	10,001	393	533
		22,546	17,582		80,133	85,196
Food Beverage & Tobacco						
Agalawatta Plantations PLC	-	-	-	208,325	10,048	9,708
Browns Investments PLC	6,750,000	59,389	44,550	5,000,000	45,894	35,500
Ceylon Cold Stores PLC	55,000	5,951	5,995	-	-	-
Hapugastenne Plantations PLC	15,000	1,273	795	-	-	-
HVA Foods PLC	3,251,020	12,445	11,053	565,789	2,831	2,320
Kotmale Holdings PLC	-	-	-	2,233	926	980
Lanka Milk Foods PLC	270	18	18	10,000	320	468
Lucky Lanka Milk Processing Company PLC	-	-	-	2,514,546	14,958	-
Madulsima Plantations PLC	50,000	700	600	-	-	-
Raigam Wayamba Salterns PLC	-	-	-	293,839	2,161	2,145
Renuka Agri Foods PLC	-	-	-	1,575,000	7,259	5,828
Tea Small Holder Factories PLC	8,190	434	381	-	-	-
		80,210	63,392		84,397	56,949

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Health Care Equipment & Services						
Asiri Hospital Holdings PLC	50,000	1,793	1,500	5,000	210	129
Asiri Surgical Hospital PLC	-	-	-	124,860	1,685	1,498
E - Channelling PLC	40,000	695	632	104,000	1,584	1,435
Nawaloka Hospital PLC	-	-	-	50,000	245	220
The Lanka Hospitals Corporation PLC	-	-	-	7,500	661	596
		2,488	2,132		4,385	3,878
Household & Personal Products						
B P L Holdings PLC	-	-	-	89,971	2,132	1,943
		-	-		2,132	1,943
Insurance						
Arpico Insurance PLC	-	-	-	10,000	300	265
Softlogic Capital PLC	2,000,000	13,789	10,200	1,000,000	8,226	6,000
		13,789	10,200		8,526	6,265
Materials						
AgStar PLC	-	-	-	300,000	2,646	2,490
Alumex PLC	21,511	441	439	-	-	-
Bogala Graphite Lanka PLC	-	-	-	45,002	3,479	2,750
CIC Holdings PLC-Non Voting	525,000	13,681	13,703	-	-	-
Dipped Products PLC	80,000	5,376	4,888	25,000	1,306	1,363
Ex-Pack Corrugated Cartons PLC	646,006	9,799	9,109	50	1	1
Haycarb PLC	-	-	-	67,000	6,213	5,715
Lanka Aluminium Industries PLC	6,278	304	307	-	-	-
Pelwatte Sugar Industries PLC	26,800	1,126	-	68,400	2,924	-
Richered Peries Export PLC	2,500	1,300	993	2,500	1,300	1,048
		32,027	29,439		17,869	13,367
Real Estate						
Colombo Land & Development Company PLC	2,700	96	126	82,639	2,849	1,909
East West Properties PLC	-	-	-	610,000	7,043	6,771
Lanka Realty Investments PLC	-	-	-	321,876	6,833	4,474
Millennium Housing Developers PLC	-	-	-	10,000	36	31
		96	126		16,761	13,185
Retailing						
Ceylon Tea Brokers PLC	100,000	890	890	-	-	-
C M Holdings PLC	-	-	-	5,000	625	601
		890	890		625	601
Telecommunication Services						
Sri Lanka Telecom PLC	-	-	-	3,600	252	250
		-	-		252	250

As at 31 December	2025			2024		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Trading						
Tess Agro PLC	-	-	-	2,500,000	3,038	3,000
Tess Agro PLC-Non Voting	-	-	-	670,353	638	536
		-	-		3,676	3,536
Utilities						
LAUGFS Power PLC	50,000	810	700	-	-	-
LAUGFS Power PLC-Non Voting	150,000	1,858	1,500	-	-	-
Resus Energy PLC	314,971	6,637	14,741	254,971	3,407	7,139
Vallibel One PLC	100,000	9,813	9,880	-	-	-
		19,117	26,821		3,407	7,139
Total value of quoted equities		414,277	356,402		367,534	308,884
Marked to market valuation loss		(57,875)		(58,650)		
Fair value of financial assets designated at FVTPL		356,402		308,884		

22.5 GICS Analysis of Equity Securities

As at 31 December	2025		2024	
	Total Cost Rs.'000	Fair Value Rs.'000	Total Cost Rs.'000	Fair Value Rs.'000
Application Software	-	-	1,362	793
Banks	825	854	270	250
Capital Goods	137,194	123,033	70,705	51,538
Consumer Durables & Apparel	30,023	18,809	9,030	6,235
Commercial & Professional Services	-	-	3,906	3,793
Consumer Services	75,072	63,127	60,099	53,965
Diversified Financials	22,546	17,582	80,133	85,196
Food Beverage & Tobacco	80,210	63,393	84,396	56,949
Health Care Equipment & Services	2,488	2,132	4,385	3,878
Household & Personal Products			2,132	1,943
Insurance	13,789	10,200	8,526	6,265
Materials	32,027	29,438	17,869	13,367
Real Estate	96	126	16,761	13,185
Retailing	890	890	625	601
Telecommunication Services	-	-	252	250
Trading	-	-	3,677	3,536
Utilities	19,117	26,821	3,407	7,139
Total value of financial assets at FVTPL	414,277	356,402	367,534	308,884
Marked to market valuation loss	(57,875)		(58,650)	
Fair value of financial assets designated at FVTPL	356,402		308,884	

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

23. LOANS AND RECEIVABLES AT AMORTISED COST

Accounting Policy

As per SLFRS 9, loans and receivables to the Companies are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

As per SLFRS 9 “loans and receivables to the Companies” comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

After initial measurement, loans and receivables are subsequently measured at amortised cost using EIR, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in ‘Interest income’ in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss ‘Impairment charges for loans and receivables and other losses’.

Lease and Hire Purchase Receivables

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

‘Day 1’ Profit or Loss

Staff loans granted at below market interest rates are recognised at fair value. The difference between the fair value and the amount disbursed were treated as ‘day 1’ difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans subsequently measured at amortised costs.

Write-off of Loans and Receivables

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in fully, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Re-negotiated Loans and Receivables

Where possible, the Group/Company seeks to re-structure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreements of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. The management continuously reviews the re-negotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans and receivables continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be subjected to an individual or collective impairment assessment calculated using the original EIR.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Bills receivable	23.2	203,568	210,273	203,568	210,273
Loans and receivables to customers	23.3	25,979,558	16,463,412	25,980,813	16,467,906
Lease and hire purchase receivable	23.4	15,132,634	11,676,654	15,132,634	11,676,654
Gross loans and receivables		41,315,760	28,350,339	41,317,015	28,354,833
Less : Allowance for impairment losses					
Bills receivable	23.2	162,456	151,315	162,456	151,315
Loans and receivables to customers	23.3	1,043,083	1,465,479	1,043,083	1,465,479
Lease and hire purchase receivable	23.4.3	524,638	791,537	524,638	791,537
		1,730,177	2,408,331	1,730,177	2,408,331
Net loans and receivables		39,585,583	25,942,008	39,586,838	25,946,502

23.1 Analysis of Loans and Receivables

23.1.1 Product Wise Analysis of Loans and Receivables

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Finance lease/ijarah	12,719,118	11,411,480	12,719,118	11,411,480
Hire purchase/murabaha	189,167	199,063	189,167	199,063
Term loans	16,854,606	8,093,666	16,855,861	8,098,160
Personal loans	556,989	664,951	556,989	664,951
Margin trading	1,702,277	1,989,290	1,702,277	1,989,290
Micro finance	110,544	112,860	110,544	112,860
Pawning	8,318,409	4,980,481	8,318,409	4,980,481
Loans against fixed deposits	661,082	688,275	661,082	688,275
Bill discounting	203,568	210,273	203,568	210,273
Gross loans and receivables	41,315,760	28,350,339	41,317,015	28,354,833

23.1.2 Sector/Industry Wise Analysis of Loans and Receivables

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Agriculture	5,029,128	1,758,054	5,029,128	1,758,054
Manufacturing	2,438,032	1,762,559	2,438,032	1,762,559
Tourism	1,303,191	792,201	1,303,191	792,201
Transportation	11,991,514	5,790,924	11,991,514	5,790,924
Construction	4,388,626	2,966,853	4,388,626	2,966,853
Trade	2,025,583	2,886,082	2,025,583	2,886,082
Services	2,562,067	568,400	2,563,322	572,894
Financials	6,407,976	4,145,748	6,407,976	4,145,748
Consumption	5,169,643	7,679,518	5,169,643	7,679,518
Gross loans and receivables	41,315,760	28,350,339	41,317,015	28,354,833

23.1.3 Contractual Maturity Analysis of Loans and Receivables - 2025

As at 31 December	Company / Group			
	Within One Year Rs.'000	1 - 5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Agriculture	3,887,529	1,141,409	190	5,029,128
Manufacturing	1,254,840	1,055,987	127,204	2,438,031
Tourism	166,458	744,434	392,300	1,303,192
Transportation	1,092,899	10,857,110	41,505	11,991,514
Construction	767,233	3,558,961	62,432	4,388,626
Trade	673,128	1,209,289	143,167	2,025,584
Services	907,329	1,592,008	62,730	2,562,067
Financials	3,346,884	2,724,554	336,537	6,407,975
Consumption	3,861,895	1,234,955	72,793	5,169,643
Gross loans and receivables	15,958,195	24,118,707	1,238,858	41,315,760

23. LOANS AND RECEIVABLES AT AMORTISED COST (CONTD)

23.1.4 Contractual Maturity Analysis Loans and Receivables - 2024

As at 31 December	Company / Group			
	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Agriculture	2,958,168	610,876	51,608	3,620,652
Manufacturing	1,409,898	649,951	90,587	2,150,436
Tourism	543,030	230,248	34,807	808,085
Transportation	1,885,487	3,350,739	621,049	5,857,275
Construction	1,292,166	1,518,079	251,291	3,061,536
Trade	1,622,885	1,388,245	237,764	3,248,894
Services	446,274	209,679	21,100	677,053
Financials	3,117,681	1,253,749	299,616	4,671,046
Consumption	3,010,799	1,085,371	159,192	4,255,362
Gross loans and receivables	16,286,388	10,296,937	1,767,014	28,350,339

23.2 Bills Receivable

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Bills discounted		203,568	210,273	203,568	210,273
Less : Allowance for impairment losses					
Individual impairment	23.2.2	157,434	148,086	157,434	148,086
Collective impairment	23.2.2	5,022	3,229	5,022	3,229
Net bills receivables		41,112	58,958	41,112	58,958

23.2.1 Analysis of Bill Discounting on Maximum Exposure to Credit Risk as at 31st December 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	-	-	203,568	203,568
Individual impairment	-	-	(157,434)	(157,434)
Collective impairment	-	-	(5,022)	(5,022)
As at 31 December	-	-	41,112	41,112

23.2.2 Movement of Impairment During the Year 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	148,086	148,086
Charge during the year	-	-	9,348	9,348
As at 31 December	-	-	157,434	157,434
Collective				
As at 01 January	-	44	3,185	3,229
Charge during the year	-	(44)	1,837	1,793
As at 31 December	-	-	5,022	5,022

23.2.3 Analysis of Bill Discounting on Maximum Exposure to Credit Risk as at 31st December 2024

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

23.2.4 Movement of Impairment During the Year 2024

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

23.3 Loans and Receivables to Customers

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Term loans and receivables		25,979,558	16,463,412	25,980,813	16,467,906
Less: Allowance for impairment losses					
Individual impairment	23.3.2	557,970	993,460	557,970	993,460
Collective impairment	23.3.2	485,114	472,019	485,114	472,019
Net loans and receivables		24,936,474	14,997,933	24,937,729	15,002,427

23. LOANS AND RECEIVABLES AT AMORTISED COST (CONTD)

23.3.1 Analysis of Term Loans Receivables on Maximum Exposure to Credit Risk as at 31st December 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	20,046,478	3,338,513	2,594,567	25,979,558
Individual impairment	-	-	(557,970)	(557,970)
Collective impairment	(106,618)	(65,854)	(312,641)	(485,114)
As at 31 December	19,939,860	3,272,659	1,723,956	24,936,475

23.3.2 Movement of Impairment During the Year 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	993,460	993,460
Charge during the year	-	-	(435,490)	(435,490)
As at 31 December	-	-	557,970	557,970
Collective				
As at 01 January	45,106	29,369	397,544	472,019
Charge during the year	61,512	36,485	(84,903)	13,095
As at 31 December	106,618	65,854	312,641	485,114

23.3.3 Analysis of Term Loans Receivables on Maximum Exposure to Credit Risk as at 31st December 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	10,894,021	2,093,861	3,475,530	16,463,412
Individual impairment	-	-	(993,460)	(993,460)
Collective impairment	(45,106)	(29,369)	(397,544)	(472,019)
As at 31 December	10,848,915	2,064,492	2,084,526	14,997,933

23.3.4 Movement of Impairment During the Year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	690,269	690,269
Charge during the year	-	-	303,191	303,191
As at 31 December	-	-	993,460	993,460
Collective				
As at 01 January	23,951	32,674	921,682	978,307
Charge during the year	21,155	(3,305)	(524,138)	(506,288)
As at 31 December	45,106	29,369	397,544	472,019

23.4 Lease and Hire Purchase Receivable

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
23.4.1 Finance Lease/Hire Purchase Receivable within One Year from the Reporting Date					
Total lease and hire purchase rental receivable		18,692,869	15,030,071	18,692,869	15,030,071
Less: lease and hire purchase rental receivable after one year		12,559,628	9,844,730	12,559,628	9,844,730
Rental receivable within one year from the reporting date		6,133,240	5,185,341	6,133,240	5,185,341
Less: Unearned lease and hire purchase income		1,897,155	1,676,822	1,897,155	1,676,822
		4,236,086	3,508,519	4,236,086	3,508,519
23.4.2 Finance Lease/Hire Purchase Receivable after One Year from the Reporting Date					
Rental receivable after one year from the reporting date		12,559,628	9,844,730	12,559,628	9,844,730
Less: Unearned lease and hire purchase income		1,663,080	1,676,595	1,663,080	1,676,595
		10,896,549	8,168,136	10,896,549	8,168,136
Gross investment in leases and hire purchase		15,132,634	11,676,654	15,132,634	11,676,654
23.4.3 Lease and Hire Purchase Receivable					
Gross investment in leases and hire purchase		15,132,634	11,676,654	15,132,634	11,676,654
Less: Allowance for impairment losses					
Individual impairment	23.4.5	422,485	595,744	422,485	595,744
Collective impairment	23.4.5	102,153	195,794	102,153	195,794
Net investment in leases and hire purchase		14,607,996	10,885,117	14,607,996	10,885,117

23.4.4 Analysis of Lease and Hire Purchase Receivable on Maximum Exposure to Credit Risk as at 31st December 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	11,479,199	2,477,953	1,175,482	15,132,634
Individual impairment	-	-	(422,485)	(422,485)
Collective impairment	(35,277)	(20,728)	(46,148)	(102,153)
As at 31 December	11,443,922	2,457,225	706,849	14,607,996

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

23. LOANS AND RECEIVABLES AT AMORTISED COST (CONTD)

23.4.5 Movement of Impairment During the Year 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	595,744	595,744
Charge during the year	-	-	(173,259)	(173,259)
As at 31 December	-	-	422,485	422,485
Collective				
As at 01 January	75,142	30,969	89,683	195,793
Charge during the year	(39,865)	(10,241)	(43,535)	(93,640)
As at 31 December	35,277	20,728	46,148	102,153

23.4.6 Analysis of Lease and Hire Purchase Receivable on Maximum Exposure to Credit Risk as at 31st December 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	8,730,499	1,578,151	1,368,004	11,676,654
Individual impairment	-	-	(595,744)	(595,744)
Collective impairment	(75,142)	(30,969)	(89,683)	(195,794)
As at 31 December	8,655,358	1,547,182	682,577	10,885,116

23.4.7 Movement of Impairment During the Year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	158,213	158,213
Charge during the year	-	-	437,531	437,531
As at 31 December	-	-	595,744	595,744
Collective				
As at 01 January	42,857	49,599	573,081	665,537
Charge during the year	32,284	(18,630)	(483,399)	(469,745)
As at 31 December	75,142	30,969	89,683	195,792

23.4.8 Credit Exposure and Expected Credit Loss (Impairment Provision) Movement - Stage Wise

	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Impairment (ECL)	Gross Carrying Amount	Impairment (ECL)	Gross Carrying Amount	Impairment (ECL)	Gross Carrying Amount	Impairment (ECL)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at amortised cost								
Loans and receivables								
As at 01 January 2024	10,406,744	66,999	3,775,547	82,273	7,531,909	2,510,213	21,714,200	2,659,485
Transfer from Stage 1	231,035	2,234	(188,641)	(1,843)	(42,394)	(391)	-	-
Transfer from Stage 2	(761,898)	(15,397)	846,833	16,661	(84,935)	(1,264)	-	-
Transfer from Stage 3	(46,200)	(4,500)	(40,227)	(5,489)	86,427	9,989	-	-
New assets originated or purchased	15,563,687	99,432	2,074,845	23,124	139,595	5,543	17,778,127	128,099
Financial assets derecognised or repaid	4,574,484	23,720	2,234,047	26,509	2,262,466	340,984	9,070,997	391,213
Write-off loans	-	-	-	-	(53,845)	53,845	(53,845)	53,845
Changes in facility amount	(1,132,955)	(3,146)	(469,527)	8,015	(414,663)	(70,676)	(2,017,145)	(65,807)
Reschedule	(61,409)	(7,946)	(91,265)	(19,818)	152,674	27,764	-	-
As at 31 December 2024	19,624,520	120,248	3,673,518	60,384	5,052,302	2,227,701	28,350,340	2,408,333
Transfer from Stage 1	186,379	911	(174,303)	(894)	(12,076)	(17)	-	-
Transfer from Stage 2	(1,316,768)	(18,925)	1,401,325	21,602	(84,557)	(2,677)	-	-
Transfer from Stage 3	(193,134)	(7,196)	(80,490)	(4,517)	273,624	11,713	-	-
New assets originated or purchased	23,888,602	111,604	3,845,588	56,378	341,559	8,268	28,075,749	176,250
Financial assets derecognised or repaid	8,610,497	36,598	2,479,135	28,300	845,610	107,022	11,935,242	171,920
Write-off loans	-	-	-	-	565,327	565,327	565,327	565,327
Changes in facility amount	(2,053,427)	28,148	(369,875)	18,040	(186,459)	70,969	(2,609,761)	117,157
Reschedule	-	-	(161)	(29)	161	29	-	-
As at 31 December 2025	31,525,675	141,896	5,816,467	86,584	3,973,617	1,501,699	41,315,759	1,730,179

24. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

As per SLFRS 9, this comprises debt instruments measured at FVTOCI and equity instruments designated at FVTOCI.

Debt Instruments at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated at FVTPL:

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

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity Instruments at FVTOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVTOCI when they meet the definition of Equity under Sri Lanka Accounting Standard - LKAS 32 - 'Financial Instruments: Presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVTOCI are not subject to an impairment assessment.

Available-for-sale financial investments included equity and debt securities. Equity investments classified as available-for-sale were those which were neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category were intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group had not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses were recognised in equity through OCI in the 'Available-for-sale reserve'. When these financial investments were disposed, the cumulative gain or loss previously recognised in equity was recycled to profit or loss through 'Operating income'. Interest earned while holding available-for-sale financial investments was reported as 'Interest income' using the EIR. Dividend earned while holding available-for-sale financial investments were recognised in the Income Statement as 'Operating income' when the right to receive the payment had been established.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities	24.1	-	-	108,550	101,699
Equity securities - Quoted	24.2	-	16,500	-	16,500
Equity securities - Unquoted	24.3	54	54	54	54
Unit trust		-	-	18,230	16,805
Net financial investments at FVTOCI		54	16,554	126,834	135,058

24.1 Government Securities

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Treasury bonds	-	-	108,550	101,699
	-	-	108,550	101,699

24.2 Equity Securities - Quoted

As at 31 December	2025			2024		
	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Company						
Power and Energy						
LVL Energy Fund PLC	-	-	-	2,500	20,000	16,500
		-	-		20,000	16,500
Group						
Power and Energy						
LVL Energy Fund PLC	-	-	-	2,500	20,000	16,500
		-	-		20,000	16,500

24.3 Equity Securities - Unquoted

As at 31 December	Company						
	2025				2024		
	Holding %	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Mega Containers Limited	6.21	1,000,000	10,000	-	1,000,000	10,000	-
Ceylinco Investment Company Limited	46.35	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka Limited (CRIB)	0.22	540	54	54	540	54	54
Ranwan Industries (Pvt) Limited	5.00	165,790	3,600	-	165,790	3,600	-
			18,654	54		18,654	54
Adjustment due to impairment	-	-	(18,600)	-	-	(18,600)	-
Total unquoted investments	-	-	54	-	-	54	-

24.4 Equity Securities - Unquoted

As at 31 December	Group						
	2025				2024		
	Holding %	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Mega Containers Limited	6.21	1,000,000	10,000	-	1,000,000	10,000	-
Ceylinco Investment Company Limited	46.35	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka Limited (CRIB)	0.22	540	54	54	540	54	54
Ranwan Industries (Pvt) Limited	5.00	165,790	3,600	-	165,790	3,600	-
	-	-	18,654	54	-	18,654	54
Adjustment due to impairment	-	-	(18,600)	-	-	(18,600)	-
Total unquoted investments	-	-	54	-	-	54	-

24.4.1 Although the Company has acquired 46.35% equity capital of Ceylinco Investment Company Limited, the investment has not been classified as an associate company due to pending court decision on the ownership structure of the Company.

25. FINANCIAL INVESTMENTS AT AMORTISED COST

Accounting Policy

As per SLFRS 9, 'Financial investments' are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' while the losses arising from impairment are recognised in 'impairment charges for loans and other losses' in the Statement of Profit or Loss.

As per previously classified under LKAS 39, this included financial investments held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

25. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTD)

Held-to-maturity financial investments were non-derivative financial assets with fixed or determinable payments and fixed maturities, that the Group had the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. After initial measurement, held-to-maturity financial investments were subsequently measured at amortised cost using the EIR, less provision for impairment. EIR is calculated by taking into account any discount or premium on acquisition and fees. The amortisation is included in 'interest income' while the losses arising from impairment of such investments are recognised in 'Impairment charges and other losses' in the Statement of Profit or Loss.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities	4,425,177	3,473,969	5,051,559	4,498,689
	4,425,177	3,473,969	5,051,559	4,498,689

25.1 Government Securities

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Treasury bills	-	2,612,017	88,392	3,060,932
Treasury bonds	4,425,177	861,952	4,963,167	1,437,757
	4,425,177	3,473,969	5,051,559	4,498,689

25.2 Government Securities Allocated for the Liquidity Requirement

As at 31 December	Company	
	2025 Rs.'000	2024 Rs.'000
Sri Lanka government treasury bills and treasury bonds	3,760,381	8,964,660
	3,760,381	8,964,660

26. REAL ESTATE STOCK

Accounting Policy

Property acquired or being constructed for sale in the ordinary course of the business. They are measured at the lower of cost or net realisable value. The cost comprises all costs of purchase, costs of conversion and the costs incurred in bringing them to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion necessary to make the sale.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Real estate stock	26,029	40,446	26,029	40,446
	26,029	40,446	26,029	40,446

27. INVESTMENT IN ASSOCIATE COMPANY

Accounting Policy

Investment in associate is accounted for at cost, net of any impairment losses which are charged to the Statement of Profit or Loss and it is in accordance with the Sri Lanka Accounting Standard - LKAS 28 - 'Investment in Associates and Joint Ventures' in the Company's Financial Statements and cost less impairment if any in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but it subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments'.

As at 31 December	Company							
	Country of Incorporation	Principal Activity	No. of Shares	Holding	2025		2024	
					Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Unquoted								
Lanka Securities (Pvt) Ltd	Sri Lanka	Share Brokering	5,212,543	29%	81,084	81,084	81,084	81,084
Balance as at 31 December					81,084		81,084	

27.1 Carrying Value on Equity Basis

As at 31 December	Group	
	Lanka Securities (Pvt) Ltd	
	2025 Rs.'000	2024 Rs.'000
Net assets at the beginning of the year	178,170	168,908
Add: Profit/(loss) before tax accruing to the group	108,649	13,232
Less: Income tax	(32,605)	(3,970)
Add: Other comprehensive income for the year, net of Income Tax	989	-
Less: Dividend received	(73,650)	-
Less: Prior year adjustment	(3,587)	-
Net assets at the end of the year	177,966	178,170

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

27. INVESTMENT IN ASSOCIATE COMPANY (CONTD)

27.2 Summarised Financial Information of Associate

For the year ended 31st December	Lanka Securities (Pvt) Ltd	
	2025 Rs.'000	2024 Rs.'000
Income	851,556	354,247
Less : Expenses	476,905	308,620
Profit/(loss) before taxation	374,651	45,627
Less : Income tax expense/(reversal)	112,430	13,688
Profit/(loss) for the period	262,221	31,939
Defined benefit plan actuarial gains/(losses)	3,409	-
Tax impact on actuarial (loss)/gain	-	-
Total comprehensive income/(expense) for the period	265,630	31,939
As at 31 December	2025 Rs.'000	2024 Rs.'000
Total assets	1,364,136	1,613,753
Total liabilities	750,462	1,014,396

28. INVESTMENT IN SUBSIDIARIES

Accounting Policy

Investment in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss and it is in accordance with the Sri Lanka Accounting Standards - LKAS 27 - 'Consolidated and Separate Financial Statements'.

Subsidiaries are entities that are controlled by the Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position but separate from parent shareholder's equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this result in a deficit balance. Acquisition of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

Subsidiaries are not quoted in the Colombo Stock Exchange (CSE) and the Directors' valuation of investment in subsidiaries has been carried out on fair value basis.

The subsidiary MBSLI has not met the minimum regulatory 'Total Available Capital' (TAC) to carry out general insurance business as at 31st December 2025. The life insurance business also operates with a deficit of TAC as of 31st December 2025; however, no new life insurance policies are underwritten by the Company, and measures have been taken to comply with the requirements stipulated by the Insurance Regulator, IRCSL.

The Regulatory Compliance as at 31 December 2025

	Actual	Requirement
General Insurance Segment		
Total available capital (TAC) Rs. '000	340,250	500,000
Risk based capital adequacy ratio (CAR)	208%	160%
Life insurance segment		
Total available capital (TAC) Rs. '000	359,723	500,000
Risk based capital adequacy ratio (CAR)	604%	160%

The consolidated financial statements of the Group include:

28.1

As at 31 December	Note	Principal Activity	Country of Incorporation	2025			2024		
				Equity Interest %	Cost Rs.'000	Fair Value Rs.'000	Equity Interest %	Cost Rs.'000	Fair Value Rs.'000
MBSL Insurance Company Ltd	28.2	Insurance	Sri Lanka	53.81	1,016,096	318,567	53.81	1,016,096	348,260
Less : Impairment provision	28.2			-	697,528	-	-	667,835	-
Balance as at 31 December				-	318,568	-	-	348,261	-

28.2 The Following Table Summarises the Investment Made in Subsidiary-MBSL:

	MBSL Insurance Rs.'000
Cost	
Balance as at 01 January 2024	1,016,096
Investment made during the year	-
Balance as at 31 December 2024	1,016,096
Investment made during the year	-
Balance as at 31 December 2025	1,016,096
Impairment provision	
Balance as at 01 January 2024	(663,400)
Impairment reversal/(charge)	(4,435)
Balance as at 31 December 2024	(667,835)
Impairment reversal/(charge)	(29,693)
Balance as at 31 December 2025	(697,528)
As at 31 December 2024	348,261
As at 31 December 2025	318,568

The following table summaries the information relating to the subsidiary and proportion of equity interest held by non-controlling interests. This information is based on amounts before inter company eliminations.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

28. INVESTMENT IN SUBSIDIARIES (CONTD)

28.3 Summarised Profit or Loss Statements of MBSL Insurance Company Ltd

For the year ended 31st December	2025 Total Rs.'000	2024 Total Rs.'000
Non-controlling interest (NCI) percentage (%)	46.19%	46.19%
Net operating income	69,788	390,756
Operating expenses	(343,500)	(378,439)
Profit before income tax	(273,712)	12,317
Income tax (expense)/reversal	(3,314)	(824)
Profit/(loss) for the year	(277,026)	11,493
Profit allocated to non-controlling interest (NCI)	(127,958)	5,309
Other comprehensive income allocated to non-controlling interest (NCI)	1,661	1,333

28.4 Summarised Statement of Financial Position of MBSL Insurance Company Ltd

As at 31 December	2025 Rs.'000	2024 Rs.'000
Cash and cash equivalents	272,851	101,838
Placements with banks & financial institutions	624,530	657,129
Financial investments at fair value through profit or loss	18,926	13,060
Loans & receivables at amortised cost	1,255	4,494
Financial investments at amortised cost	753,163	1,143,224
Property, equipment and right-of-use assets	60,670	77,646
Deferred tax assets	695	8,578
Other assets	434,881	333,823
Total assets	2,166,971	2,339,792
Due to banks	4,583	-
Insurance contract liabilities-life	539,669	454,704
Insurance contract liabilities-non life	572,437	397,423
Other liabilities	382,207	510,744
Retirement benefits obligations	10,577	10,955
Total liabilities	1,509,473	1,373,826
Net assets value	657,498	965,966
Carrying amount of non-controlling interest (NCI)	303,698	446,180

28.5 Valuation Assumptions

The subsidiary MBSLI valuation of life segment is based on the absolute valuation methodology, Net Asset Value (NAV) which is reflect in the Financial Position. Additional capital generated from the divestment of the life insurance portfolio will be redeployed to revive the General Insurance Business.

The non life segment of the Subsidiary MBSLI is valued based on the absolute valuation methodology, Net Asset Value (NAV) which is reflect in the Financial Position after incorporating the additional capital generated from the divestment of the life insurance portfolio.

28.6 Impairment Provision/Reversal

Impairment of Investment in Subsidiary :

Recoverable amount of the investment in subsidiary at the end of the Financial Position date as Rs. 319 Mn. Accordingly impairment charge of Rs: 29.7 Mn impairment charge (2024 impairment charge : Rs: .004 Mn) was recorded during the year 2025 in the Company's Financial Statements.

29. INVESTMENT PROPERTIES

Accounting Policy

Investment properties are properties held either to earn rental income or for capital appreciation or for both. But not for sale in the ordinary course of business, used in the production or supply of goods or service or for administrative purpose.

Basis of Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property.

The Group adopts the cost model for subsequent measurement of investment properties in accordance with Sri Lanka Accounting Standard - LKAS 40 - 'Investment Property'. Accordingly, land classified as investment property is stated at cost, and buildings classified as investment property are stated at cost less any accumulated depreciation and any accumulated impairment losses. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated.

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of derecognition.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cost as at 01 January		140,559	145,247	140,559	145,247
Less: Provision		95,343	98,301	95,343	98,301
Cost as at 31 December	29.1	45,216	46,946	45,216	46,946
Accumulated depreciation as at 31 December		45,216	46,946	45,216	46,946
Net book value as at 31 December		-	-	-	-
Accumulated depreciation					
Balance as at 01 January		46,946	46,243	46,946	46,243
Charge for the year		-	703	-	703
Less: Disposals		(1,730)	-	(1,730)	-
Balance as at 31 December		45,216	46,946	45,216	46,946
Rental income derived from investment property		Nil	Nil	Nil	Nil
Direct operating expenses arising from investment property that generated rental income during the year		Nil	Nil	Nil	Nil
Direct operating expenses arising from investment property that did not generate rental income during the year		Nil	Nil	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

29. INVESTMENT PROPERTIES (CONTD)

29.1 Investment Properties Held by the Company/Group

As at 31 December	No. of Buildings	Buildings sq.ft	Extent Perches	Fair Value Hierarchy	2025								
					Cost/Carrying Amount			Net Book Value			Fair Value		
					Land	Buildings	Total	Provision	Accumulated Depreciation	Total	Land	Buildings	Total
Location					Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
No 102 & 104, Dam Street, Colombo 12. (Note.29.3)	1	20,368	1R-10.7P	Level 3	17,970	11,989	29,959	18,418	11,541	-	170,000	-	170,000
Kumbuththukuliya Watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	84,000	-	84,000
Fingara Town & Country Club, No.50/21, 50/22, Old Kesbawa Road, Boralesgamuwa (Note.29.3)	1		2A-1R-4.35P	Level 3	65,604	44,396	110,000	76,325	33,675	-	350,000	119,809	469,809
					84,174	56,385	140,559	95,343	45,216	-	604,000	119,809	723,809

29.2 Investment Properties Held by the Company/Group

As at 31 December	No. of Buildings	Buildings sq.ft	Extent Perches	Fair Value Hierarchy	2024								
					Cost/Carrying Amount			Net Book Value			Fair Value		
					Land	Buildings	Total	Provision	Accumulated Depreciation	Total	Land	Buildings	Total
Location					Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
No 385/1 and 385/1, 1/1, Pitakotte Road, Pitakotte. (Note.29.3)	1	2,896	19.01P	Level 3	2,958	1,730	4,688	2,958	1,730	-	66,500	-	66,500
No 102 & 104, Dam Street, Colombo 12. (Note.29.3)	1	20,368	1R-10.7P	Level 3	17,970	11,989	29,959	18,418	11,541	-	170,000	-	170,000
Kumbuththukuliya Watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	84,000	-	84,000
Fingara Town & Country Club, No.50/21, 50/22, Old Kesbawa Road, Boralesgamuwa. (Note.29.3)	1		2A-1R-4.35P	Level 3	65,604	44,396	110,000	76,325	33,675	-	350,000	119,809	469,809
					87,132	58,115	145,247	98,301	46,946	-	670,500	119,809	790,309

29.3

Name of the Professional Valuer	Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs
Mr. Chulananda Wellappili. Chartered Valuation Surveyor of Sri Lanka	No 102 & 104, Dam Street, Colombo 12.	Income Basis Method	
		Price Per Square Foot	LKR. 150/-, 200/-, 225/-, 250/-
		Depreciation Rate	40%
		Capitalising Rate	7%
		Market Value of the Lease	LKR. 176,000,000/-
Ms. K P S K Chandani. Incorporated & Registered Valuer	Kumbuththukuliya Watte, Bangadeniya Road, Puttalam.	Market Comparable Method	
		Price per perch	LKR. 275,000/- P.P.
		Total Value of Land	LKR. 84,000,000/-
Mr. P V W K Ariyasinghe. Incorporated & Registered Valuer	Fingara Town & Country Club, No.50/21, 50/22, Old Kesbewa Road, Boralesgamuwa.	Contract Principle Method	
		Price per perch	LKR. 800,000/- P.P.
		Total Value of Land	LKR. 350,000,000/-
		Total Fair Value of Existing Buildings & Improvements	LKR. 100,000,000/-

Valuation Techniques and Sensitivity of the Fair Value Measurement of the Investment Properties of the Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation Technique	Significant Unobservable Valuation Inputs (Ranges of Each Property are Given in the Table Above)	Sensitivity of the Fair Value Measurements to Inputs
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	<ul style="list-style-type: none"> Price per perch for land Price per square foot for building Depreciation rate for building 	<p>Estimated fair value would increase/ (decrease) if;</p> <ul style="list-style-type: none"> Price per perch of land would (increase/decrease) Price per square foot for building would increase/ (decrease) Depreciation rate for building would increase/ (decrease)

"A fresh valuation has been obtained through the chief valuation department for the investment property at Dam Street and the legal department of UDA is to submit a board paper to the UDA Board requesting the approval to transfer MBSL lease hold rights to the present tenants of the Dam Street property after obtaining the further legal clearance from their end."

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

30. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting Policy

Basis of Recognition

Property and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

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

Basis of Measurement

An item of property and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property & equipment.

The Company and the Group apply the cost model to property & equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

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

Repairs and Maintenance

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

Derecognition

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

Borrowing costs

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

30.1 Company

	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right-of- Use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost								
Balance as at 01 January 2024	14,000	-	118,950	-	323,530	411,903	670,066	1,538,449
Additions during the year	-	-	-	-	33,709	15,050	89,585	138,344
Disposals during the year	-	-	(2,079)	-	(150)	(2,743)	(35,142)	(40,114)
Adjustment due to verification	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	14,000	-	116,871	-	357,089	424,210	724,509	1,636,679
Additions during the year	-	-	-	-	96,504	63,761	726,108	886,373
Disposals during the year	-	-	(25,166)	-	-	(2,787)	(262,025)	(289,978)
Balance as at 31 December 2025	14,000	-	91,705	-	453,593	485,184	1,188,592	2,233,074
Accumulated Depreciation								
Balance as at 01 January 2024	-	-	115,032	-	284,511	255,354	298,116	953,013
Charge for the year	-	-	3,918	-	22,311	32,785	190,166	249,180
On disposals	-	-	(2,079)	-	(149)	(2,457)	(28,184)	(32,869)
Balance as at 31 December 2024	-	-	116,871	-	306,673	285,682	460,098	1,169,324
Charge for the year	-	-	-	-	27,219	32,602	203,013	262,834
On disposals	-	-	(25,165)	-	-	(2,735)	(251,927)	(279,827)
Balance as at 31 December 2025	-	-	91,706	-	333,892	315,549	411,184	1,152,331
Net book value								
As at 31 December 2024								467,355
As at 31 December 2025								1,080,743

30.2 Group

	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right-of- Use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost								
Balance as at 01 January 2024	14,000	-	119,188	-	408,348	523,944	816,842	1,882,322
Additions during the year	-	-	-	-	33,959	15,050	89,585	138,594
Disposals during the year	-	-	(2,079)	-	(150)	(2,743)	(35,142)	(40,114)
Balance as at 31 December 2024	14,000	-	117,109	-	442,157	536,251	871,285	1,980,802
Additions during the year	-	-	-	-	99,151	63,861	746,188	909,200
Disposals during the year	-	-	(25,166)	-	-	(2,787)	(266,512)	(294,465)
Balance as at 31 December 2025	14,000	-	91,943	-	541,308	597,325	1,350,961	2,595,537
Accumulated Depreciation								
Balance as at 01 January 2024	-	-	115,271	-	350,986	347,290	373,078	1,186,625
Charge for the year	-	-	3,918	-	27,602	39,950	213,343	284,813
On disposals	-	-	(2,079)	-	(149)	(2,457)	(28,184)	(32,869)
Balance as at 31 December 2024	-	-	117,110	-	378,439	384,783	558,237	1,438,569

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right-of- Use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Charge for the year	-	-	-	-	32,823	39,035	225,298	297,156
On disposals	-	-	(25,165)	-	-	(2,735)	(251,927)	(279,827)
Balance as at 31 December 2025	-	-	91,944	-	411,263	421,083	531,608	1,455,898
Net book value								
As at 31 December 2024								542,233
As at 31 December 2025								1,139,639

Information on the Freehold Land and Buildings of the Company

Location	Name of the Professional Valuer	Method of Valuation	Date of Valuation	Extent (Perches)	Revalued Amounts Land Rs.'000	Net Book Value Land Rs.'000	As a % of Total NBV
Kurunduwatta, Ekala	Ms. P. P. D. N. Shyamali M. Sc in Real Estate Management, B. Sc Estate Management & Valuation	Market Comparable Method	31st December 2025	1A-1R-27.93	136,758	14,000	977%

Title Restriction on Property and Equipment

There were no restrictions existed on the title of the property and equipment of the Group as at the date of the Statement of Financial Position.

Property and Equipment Pledged as Security for Liabilities

There were no items of property and equipment pledged as securities for liabilities except for lease hold assets.

Compensation from Third Parties for Items of Property and Equipment

There were no compensation received/receivable from third parties for items of property and equipment that were impaired, lost or given up.

Fully Depreciated Property and Equipment

The cost of fully depreciated property and equipment of the Company and the Group which are still in use as at the date of the Statement of Financial Position as follows:

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Motor vehicles	91,706	116,872	91,944	117,109
Computer equipments	292,493	263,974	352,992	322,942
Equipment, furniture & fittings	151,450	105,315	227,922	182,170
Total	535,649	486,161	672,858	622,221

Temporarily Idle Property and Equipment

There were no property and equipment of the Company and the Group that were temporarily idle as at the date of the Statement of Financial Position.

Property and Equipment Retired from Active Use

There were no property and equipment of the Company and the Group were retired from active use as at the date of the Statement of Financial Position.

31. INTANGIBLE ASSETS

Accounting Policy

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Company and to the Group in accordance with the Sri Lanka Accounting Standard - LKAS 38 - 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Lives

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Derecognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the assets is recognised in the Statement of Profit or Loss in the year the assets is de-recognised.

31.1 Company

	Computer Software Rs.'000	Total Rs.'000
Cost		
Balance as at 01 January 2024	289,926	289,926
Additions and improvements during the year	35,407	35,407
Balance as at 31 December 2024	325,334	325,334
Additions and improvements during the year	9,839	9,839
Balance as at 31 December 2025	335,172	335,172
Accumulated amortisation		
Balance as at 01 January 2024	222,809	222,809
Amortisation for the year	41,195	41,195
Balance as at 31 December 2024	264,005	264,005
Amortisation for the year	32,794	32,794
Balance as at 31 December 2025	296,799	296,799
Net book value		
As at 31 December 2024	-	61,329
As at 31 December 2025	-	38,374

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31. INTANGIBLE ASSETS (CONTD)

31.2 Group

	Computer Software Rs.'000	Goodwill Rs.'000	Total Rs.'000
Cost			
Balance as at 01 January 2024	341,373	18,193	359,566
Additions and improvements during the year	36,812	-	36,812
Balance as at 31 December 2024	378,185	18,193	396,378
Additions and improvements during the year	10,044	-	10,044
Balance as at 31 December 2025	388,229	18,193	406,422
Accumulated amortisation and impairment			
Balance as at 01 January 2024	271,882	18,193	290,075
Amortisation for the year	42,206	-	42,206
Balance as at 31 December 2024	314,088	18,193	332,281
Amortisation for the year	33,994	-	33,994
Balance as at 31 December 2025	348,082	18,193	366,275
Net book value			
As at 31 December 2024			64,097
As at 31 December 2025			40,147

Fully Amortised Intangible Assets

Gross carrying amount of intangible assets which have been fully amortised that are still in use as follows:

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Computer software	257,755	30,486	305,976	79,085

There were no restrictions existed on the title of the intangible assets of the Company and the Group as at the Statement of Financial Position date. Further, there were no items pledged as securities for liabilities.

32. OTHER ASSETS

Accounting Policy

The Company and the Group classify all their other assets as mainly comprise of advance & prepayment and other receivables.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Other receivables	126,775	49,305	145,141	46,246
Advances and pre payments	190,116	164,895	222,211	186,972
Other accounts	186,129	26,185	203,463	54,117
Reinsurance assets-insurance contracts	-	-	258,005	156,494
Insurance receivables	-	-	109,084	130,378
	503,020	240,385	937,904	574,207
Less : Allowance for impairment losses	53,712	53,712	53,712	53,712
	449,308	186,673	884,192	520,495

33. DUE TO BANKS

Accounting Policy

Due to banks include bank overdrafts and long term and short-term loans obtained by the Company and the Group from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method.

Securities Sold Under Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are recognised from the Statement of Financial Position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the Consolidated Statement of Financial Position as a liability with a corresponding obligation to return it, including accrued interest as a liability within 'Securities sold under repurchase agreements', reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Bank overdraft	829,723	198,124	834,307	198,124
Reverse repurchase agreements	6,562,543	2,408,440	6,562,543	2,408,440
Bank borrowings - Short-term loans	4,261,737	5,056,813	4,261,737	5,056,813
Bank borrowings - Long-term loans	3,235,901	480,711	3,235,901	480,711
	14,889,904	8,144,088	14,894,488	8,144,088

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

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Dues to banks	829,723	198,124	834,307	198,124
	829,723	198,124	834,307	198,124

33.2 Bank Borrowings - Long-term loans

	Interest Payable Frequency	Obtained Date	Maturity Date	Company & Group	
				2025 Rs.'000	2024 Rs.'000
Hatton National Bank PLC	Annually	30-Oct-24	29-Oct-29	199,936	199,199
Hatton National Bank PLC	Annually	28-Nov-24	27-Nov-29	112,972	111,139
Hatton National Bank PLC	Annually	02-Dec-24	01-Dec-29	20,201	20,161
Hatton National Bank PLC	Annually	27-Dec-24	26-Dec-29	150,300	150,213
People's Bank	Monthly	29-Sep-25	30-Sep-28	2,752,492	-
				3,235,901	480,711

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

33. DUE TO BANKS (CONTD)

33.3 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2025

	Company/Group			
	Within	1 - 5	Over	Total
	One Year	Years	5 Years	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reverse repurchase agreements	6,562,543	-	-	6,562,543
Bank borrowings - Short-term loans	4,261,737	-	-	4,261,737
Bank borrowings - Long-term loans	-	3,235,901	-	3,235,901
	10,824,280	3,235,901	-	14,060,181

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

	Company/Group			
	Within	1 - 5	Over	Total
	One Year	Years	5 Years	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reverse repurchase agreements	2,408,440	-	-	2,408,440
Bank borrowings - Short-term loans	5,056,813	-	-	5,056,813
Bank borrowings - Long-term loans	-	480,711	-	480,711
	7,465,253	480,711	-	7,945,964

34. DUE TO CUSTOMERS AT AMORTISED COST

Accounting Policy

Due to customers at amortised cost include fixed deposits and saving deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

As at 31 December	Company		Group	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Savings deposits	1,467,723	1,265,267	1,465,381	1,262,925
Time deposits	30,325,035	24,690,908	30,155,101	24,476,833
	31,792,758	25,956,175	31,620,482	25,739,758

34.1 Sri Lanka Deposit Insurance Scheme - Company

Under the Direction No. 1 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor, accordingly the Company paid a premium of 0.15% of the eligible deposits as deposit insurance premium, during the year ended 31st December 2025.

34.2 Contractual Maturity Analysis of Customer Deposits

	2025			
	Within One Year Rs.'000	1 - 5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Company				
Savings deposits	953,902	410,912	102,910	1,467,723
Time deposits	22,488,710	7,836,325	-	30,325,035
	23,442,612	8,247,236	102,910	31,792,758
Group				
Savings deposits	951,560	410,912	102,910	1,465,381
Time deposits	22,488,710	7,666,391	-	30,155,101
	23,440,270	8,077,302	102,910	31,620,482

34.3 Contractual Maturity Analysis of Customer Deposits

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

We have raised fixed deposits with a pre-mature option to the customers, so fixed deposit pre-matures may cause a difference from contractual maturities.

35. DEBT ISSUED AND BORROWED FUNDS AT AMORTISED COST

Accounting Policy

Debt issued represent the funds borrowed by the Company and the Group for long term and short term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Debentures	35.1	1,821,393	730,033	1,821,393	730,033
Total debt issued and borrowed funds		1,821,393	730,033	1,821,393	730,033

35.1 Debentures - 2025

ISIN No.	Interest Rate			Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Company/Group	
	Coupon Rate	Effective Annual Yield	Comparable Government Security						Face Value Rs.'000	Value as at 2025 Rs.'000
Fixed Rate										
LK0186D25001	29.50%	24.00%	27.60%	Listed	Nil	Annually	16-Nov-22	15-Nov-27	23,990	22,003
LK0186D25027	28.00%	24.88%	27.60%	Listed	Nil	Bi Annually	16-Nov-22	15-Nov-27	32,880	30,267
LK0186D25084	29.50%	29.50%	25.24%	Listed	Nil	Annually	10-Apr-23	09-Apr-28	276,660	290,625
LK0186D25092	28.00%	29.96%	25.24%	Listed	Nil	Bi Annually	10-Apr-23	09-Apr-28	255,140	232,881
LK0186D25100	30.00%	24.57%	25.24%	Listed	Nil	At Maturity	10-Apr-23	09-Apr-28	91,030	165,875
LK0186D25738	12.50%	12.50%	9.66%	Listed	Nil	Annually	30-May-25	30-May-30	972,710	1,042,928
LK0186D25746	11.75%	12.10%	9.66%	Listed	Nil	Bi Annually	30-May-25	30-May-30	27,290	27,565
Floating Rate										
LK0186D25019	One Year Avg T Bill Rate + 300 Basis Points			Listed	Nil	Quarterly	16-Nov-22	15-Nov-27	10,830	9,249
Total Debentures									1,690,530	1,821,393

35.2 Debentures - 2024

ISIN No.	Interest Rate			Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Company/Group	
	Coupon Rate	Effective Annual Yield	Comparable Government Security						Face Value Rs.'000	Value as at 2024 Rs.'000
Fixed Rate										
LK0186D25001	29.50%	24.00%	27.60%	Listed	Nil	Annually	16-Nov-22	15-Nov-27	23,990	22,029
LK0186D25027	28.00%	24.88%	27.60%	Listed	Nil	Bi Annually	16-Nov-22	15-Nov-27	32,880	30,298
LK0186D25084	29.50%	29.50%	25.24%	Listed	Nil	Annually	10-Apr-23	09-Apr-28	276,660	297,016
LK0186D25092	28.00%	29.96%	25.24%	Listed	Nil	Bi Annually	10-Apr-23	09-Apr-28	255,140	238,224
LK0186D25100	30.00%	24.57%	25.24%	Listed	Nil	At Maturity	10-Apr-23	09-Apr-28	91,030	133,161
Floating Rate										
LK0186D25019	One Year Avg T Bill Rate + 300 Basis Points			Listed	Nil	Quarterly	16-Nov-22	15-Nov-27	10,830	9,305
Total Debentures									690,530	730,033

35.3 Contractual Maturity Analysis of Debt Instruments Issued and Other Borrowed Funds - Company

	2025				2024			
	Within One Year	1 - 5 Years	Over 5 Years	Total	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unsecured debentures	-	1,821,393	-	1,821,393	-	730,033	-	730,033

Outstanding number of debentures as at 31 December 2025 consisted of 1,690,530 unsecured redeemable debentures of Rs. 100/- each issued by the Company.

The Company has not repurchased any of its own debt during the year. (2024: Nil)

The Company has not had any default of principal, interest or other breaches with regard to all liabilities during 2025 and 2024.

Debenture issue proceeds utilisation as at 31st December 2025.

No.	Objective as per the Prospectus	Amount Allocated as per Prospectus LKR	Date of Utilisation	Amount Allocated from Proceeds LKR (A)	% of Total Proceeds	Amount Utilised in LKR (B)	% of Utilisation (B/A)	Clarification If not Fully Utilised
Issue of listed, unsecured, subordinated redeemable debentures amounting LKR 67.7 Mn during the year 2022.								
1.	The funds raised through this debenture issue utilised to increase the medium term fund base to match the medium to long term lending portfolio.	67,700,000	16-Nov-22	67,700,000	100%	67,700,000	100%	-
2.	To enhance the total capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).					27,080,000	40%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.
Issue of listed, unsecured, subordinated redeemable debentures amounting LKR 622.8 Mn during the year 2023.								
3.	The funds raised through this debenture issue utilised to reduce the maturity mismatch by increasing the medium term fund base to match the medium to long term lending portfolio of the Company.	622,830,000	10-Apr-23	622,830,000	100%	622,830,000	100%	-
4.	To enhance the total capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).					373,698,000	60%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.
Issue of listed, unsecured, subordinated redeemable debentures amounting LKR 1,000 Mn during the year 2025.								
5.	The funds raised through this debenture Issue utilised to meet the regulatory capital requirements of the Company (tier II)	1,000,000,000	30-May-25	1,000,000,000	100%	1,000,000,000	100%	-
6.	To enhance the lending portfolio of the Company					1,000,000,000	100%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

36. INSURANCE CONTRACT LIABILITIES

Accounting Policy

36.1 Valuation of Life Insurance Fund

The valuation of life insurance fund as at 31st December 2025 was made by Ms. Teja Ranade Gadhoke a qualified actuary, who also determined and certified GPV basis the surplus including one off surplus of Rs.35 Mn before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.

Liability Adequacy Test (LAT)

In the opinion of the consultant actuary Ms.Teja Ranade Gadhoke,the liability value is sufficient to meet future benefits and expenses. Hence, no provision was made for premium deficiency.

36.1.1 Insurance Contract Liabilities-Life

As at 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
Balance as at 1 January	456,500	420,581
Unclaimed benefits	47,736	34,123
Restricted regulatory reserve	35,432	-
Balance as at 31 December	539,669	454,704

36.2 Accounting Policy

Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for non life contract liability was carried out by Mr. J S P Plugged for and on behalf of NMG Financial Services Consulting Pvt Limited as at 31st December 2025 as required by SLFRS 4 - Insurance Contracts.

The IBNR provision, together with the case reserves held by the Company, is expected to be adequate at a 50th percentile of confidence, to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2025, in many but not all scenarios of future experience. The UPR provision of LKR 177,601,271 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of MBSL Insurance Co Ltd as at 31 December 2025, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

Insurance Contract Liabilities-Non Life

As at 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
Provision for reported claims by policy holders	378,444	189,575
Provision for claims IBNR	24,740	23,039
Outstanding claims provision	403,184	212,614
Provision for unearned premiums	169,253	184,809
Total non life insurance contract liabilities	572,437	397,423

37. CURRENT TAX LIABILITIES

Accounting Policy

The Group and the Company are subject to income taxes. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of laws, at the time of the preparation of these Financial Statements.

Current tax assets are recognised at historical values less impairment. Income tax liabilities are recorded at the amounts expected to be paid.

The Group and Company recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

37.1 Current Tax Liabilities/(Receivables)

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Current tax liabilities	166,186	209,437	166,186	209,437
Balance at 01 January	209,437	30,055	209,437	30,055
Current tax based on profit for the year	260,907	230,696	260,907	230,696
Under provision in respect of previous years	429	-	429	-
Due to rate reduction	-	-	-	-
Other (reversal)/charge including settlements	-	(1,947)	-	(1,947)
ESC movement for the year	-	-	-	-
WHT movement for the year	(7,226)	(6,674)	(7,226)	(6,674)
Payment of tax	(297,361)	(42,693)	(297,361)	(42,693)
Balance as at 31 December	166,186	209,437	166,186	209,437

37.2 Withholding Tax (WHT) and Advance Income Tax (AIT)

Withholding Tax (WHT) has been reinstated in accordance with Sections 84, 84A and 85 of the Inland Revenue Act No. 24 of 2017 and its amendments (No. 10 of 2021 and No. 45 of 2022). Accordingly, effective January 1, 2023, WHT is applicable at 5% on service fees paid to a resident individual exceeding Rs. 100,000 per month, 10% on rent paid to a resident person exceeding Rs. 100,000 per month, 5% on interest income, and 15% on dividends, with WHT on dividends constituting a final tax, while other WHT deductions are creditable against income tax liabilities.

38. DEFERRED TAX LIABILITIES

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Net deferred tax (assets)/liabilities of one entity cannot be set-off against another entity's liabilities/(assets) since there is no legally enforceable right to set-off. Therefore, net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

38. DEFERRED TAX LIABILITIES (CONTD)

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Net deferred tax asset	38.1	(130,134)	(91,893)	(130,830)	(100,473)
		(130,134)	(91,893)	(130,830)	(100,473)

38.1 Deferred Tax Movement

	Accelerated Depreciation for Tax Purposes		Provision for Loan Losses	Retirement Benefit Obligation	Tax Losses on Operation	Right of Use Assets	T-Bond & Bills	Total
	Property, Plant & Equipment	Leased Assets						
Company								
Balance as at 01 January 2024	53,854	10,555	(2,321)	(106,311)	-	(10,728)	-	(54,951)
Due to change in temporary differences	(13,013)	(6,339)	(9,613)	5,006	-	665	-	(23,294)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
Balance as at 31 December 2024	40,841	4,215	(11,933)	(114,953)	-	(10,063)	-	(91,893)
Balance as at 01 January 2025	40,841	4,215	(11,933)	(114,953)	-	(10,063)	-	(91,893)
Due to change in temporary differences	(5,216)	(4,112)	(11,555)	(982)	-	(5,083)	-	(26,948)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(11,293)	-	-	-	(11,293)
Balance as at 31 December 2025	35,625	103	(23,488)	(127,228)	-	(15,146)	-	(130,134)
Group								
Balance as at 01 January 2024	55,594	10,553	(2,322)	(109,917)	-	(16,890)	(1,373)	(64,355)
Due to change in temporary differences	(13,875)	(6,339)	(9,613)	5,372	-	612	1,373	(22,470)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
Balance as at 31 December 2024	41,719	4,214	(11,935)	(118,193)	-	(16,278)	-	(100,473)
Balance as at 01 January 2025	41,719	4,214	(11,935)	(118,193)	-	(16,278)	-	(100,473)
Due to change in temporary differences	(4,381)	(4,112)	(11,555)	(865)	-	(2,720)	-	(23,633)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(11,293)	-	-	4,569	(6,724)
Balance as at 31 December 2025	37,338	102	(23,490)	(130,351)	-	(18,999)	4,569	(130,830)

39. OTHER LIABILITIES

Accounting Policy

Other liabilities include accrued expenses and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Accrued expenses		136,359	233,137	139,172	237,758
Lease liability	39.1	788,311	263,810	843,102	333,169
Payable to employees & suppliers		61,172	74,355	104,219	119,320
Insurance payable		-	-	84,000	180,798
Other liabilities		173,415	323,768	372,933	536,732
		1,159,256	895,070	1,543,426	1,407,777

39.1 The Below Table Shows the Carrying Amounts of Lease Liabilities and the Movements During the Period:

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Operating Lease				
Balance as at 01 January	263,810	373,742	333,169	466,100
Additions/(disposals)	686,913	70,176	699,531	70,176
Accretion of interest	72,623	45,494	80,419	57,111
Payments	(235,035)	(225,602)	(270,017)	(260,218)
As at 31 December	788,311	263,810	843,101	333,169

The maturity analysis of lease liabilities are disclosed in Note 48.6.1.

Sensitivity of right-of-used assets/lease liability to key assumptions.

Sensitivity Discount Rates

1% increase/(decrease) in discount rate as at 31st December 2025 would have (decreased)/increased the lease liability by approximately Rs. 16.43 Mn with a similar (decrease)/increase in the right-of-used asset (2024 it was Rs. 4.80 Mn). Had the Company (decreased)/increased the discount rate by 1%, The Company's profit before tax for the year would have increased/(decreased) by approximately LKR Rs. 0.52 Mn (2024 it Was 0.19 Mn).

1% increase/(decrease) in discount rate as at 31st December 2025 would have (decreased)/increased the lease liability by approximately Rs. 16.86 Mn with a similar (decrease)/increase in the right-of-used asset (2024 it was Rs. 7.80 Mn). Had the Group (decreased)/increased the discount rate by 1%, The Group's profit before tax for the year would have increased/(decreased) by approximately LKR Rs. 0.95 Mn (2024 it Was 3.19 Mn).

The Group had total cash outflows for leases of Rs 270.02 Mn (2024: Rs 260.22 Mn).

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

40. RETIREMENT BENEFITS OBLIGATIONS

Accounting Policy

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit (PUC) method as required by the Sri Lanka Accounting Standards - LKAS 19 - 'Employee Benefits'.

Gratuity

In compliance with the Payment of Gratuity Act No.12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees.

Recognition of Actuarial Gains and Losses

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

Accounting Estimates

The actuarial valuation involves making demographic & financial assumptions as mentioned below.

The mortality rates represent the probabilities of "death" occurring within one year of any given age based on publicly available A 1967/70 mortality table issued by Institute of Actuaries, London.

In determining the appropriate long term rate of discount management considers market rates of interest on long term Corporate Bonds/ Government Bonds and the anticipated long term rate of inflation.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	383,174	354,368	394,127	366,703
Expense recognised during the year	72,622	73,878	74,921	76,932
Payment made during the year	(69,349)	(90,564)	(70,244)	(95,102)
Actuarial (gains)/losses recognised in the Statement of Other Comprehensive Income	37,644	45,492	35,862	45,594
Balance as at 31 December	424,091	383,174	434,666	394,127

40.1 Expense Recognised in the Statement of Profit or Loss

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Current service cost	30,473	24,227	31,728	25,617
Interest cost	42,149	49,611	43,193	51,275
Expense recognised during the year	72,622	73,838	74,921	76,892
Past service cost	-	40	-	40
Expense Recognised in the Statement of Profit or Loss	72,622	73,878	74,921	76,932

An actuarial valuation of the retirement benefit obligation was carried out as at 31 December 2025 by Messrs.' Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the liability is the 'Projected Unit Credit, the method recognised by the Sri Lanka Accounting Standard - LKAS 19 - 'Employee Benefits'.

	Company	
	2025	2024
Financial Assumptions		
Discount rate	10.40%	11.00%
Demographic Assumptions		
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Disability	10% of the Mortality Table	10% of the Mortality Table
Retirement age	refer note 40.2 below	refer note 40.2 below

40.2 The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

As on 17 Nov 2021, employees who have attained the age of	Retirement age
Less than 52 years	60 years
53 years	59 years
54 years	58 years
55 years	57 years

The resulting change in the present value of defined benefit obligation was not recognised in profit or loss as a past service income.

Expected average working life of the active participants is 7 years as of 31 December 2025 (6.2 years as of 31 December 2024).

40.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate on the profit or loss and employment benefit obligation for the year.

2025			
Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment	Sensitivity Effect on the Statement of Profit or Loss Increase/(Reduction) in Results for the Year Rs. Mn	Sensitivity Effect on Employment Benefit Obligation Increase / (Decrease) in the Liability Rs. Mn
1%		(23.55)	(23.55)
(1%)		26.19	26.19
	1%	27.28	27.28
	(1%)	(24.82)	(24.82)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

40. RETIREMENT BENEFITS OBLIGATIONS (CONTD)

Maturity Profile of the Defined benefit Obligation

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Within the next 12 months	54,057	48,151	54,564	48,556
Between 1-2 years	80,701	80,926	90,605	83,154
Between 2-5 years	100,546	87,646	100,646	95,886
Between 5-10 years	109,656	107,502	109,656	107,502
Beyond 10 years	79,130	58,949	79,196	59,029
Total	424,091	383,174	434,667	394,127

41. STATED CAPITAL

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Issued and fully paid ordinary shares	4,276,448	4,276,448	4,276,448	4,276,448
Balance as at 31 December	4,276,448	4,276,448	4,276,448	4,276,448

As at 31 December	Company		Group	
	2025 No. of Shares	2024 No. of Shares	2025 No. of Shares	2024 No. of Shares
No. of shares in issue	524,539,637	524,539,637	524,539,637	524,539,637
Balance as at 31 December	524,539,637	524,539,637	524,539,637	524,539,637

42. RESERVES

42.1 Statutory Reserves

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	392,265	344,174	392,265	344,174
Add: Transfers during the year	58,236	48,091	58,236	48,091
Balance as at 31 December	450,501	392,265	450,501	392,265

Statutory reserve represents the reserve fund of the Company created in terms of the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka.

42.2 Retained Earnings

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	(1,189,204)	(1,289,648)	(940,832)	(1,042,034)
Add: Net profit/(loss) for the year	265,522	240,454	148,540	260,338
Other comprehensive income, net of tax	(26,351)	(31,845)	(24,881)	(31,899)
Transfer to retain earnings	(9,096)	(7,042)	(9,096)	(7,042)
Transferred to Policy holder fund on one off surplus	-	-	-	(19,072)
Transfers to regulatory loss allowance reserve	6,260	(53,032)	6,260	(53,032)
Transfers to statutory reserve fund	(58,236)	(48,091)	(58,236)	(48,091)
Prior year adjustment made to OCI reserve	-	-	(7,534)	-
Balance as at 31 December	(1,011,105)	(1,189,204)	(885,779)	(940,832)

42.3 RLA Reserve

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	424,622	371,590	424,622	371,590
Transfers during the year	(6,260)	53,032	(6,260)	53,032
Balance as at 31 December	418,362	424,622	418,362	424,622

42.4 RR Reserve

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	-	-	35,443	-
Transfers during the year	-	-	(35,443)	35,443
Balance as at 31 December	-	-	-	35,443

42.5 OCI Reserve

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	(22,100)	(31,892)	(22,206)	(33,607)
Gains/(losses) on remeasuring financial investments at FVTOCI	13,004	2,750	14,456	4,359
Transfer to retain earnings	9,096	7,042	9,096	7,042
Prior year adjustment made to OCI reserve	-	-	4,390	-
Balance as at 31 December	-	(22,100)	5,736	(22,206)

Other Financial Disclosures

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

43. RELATED PARTY DISCLOSURE

The Company/Group carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - 'Related Party Disclosures'.

43.a Transactions with Key Management Personal (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 - 'Key Management Personnel' are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the directors of the Company/Group and the Directors of the parent Company (including executive and non-executive directors), chief executive officer and corporate management committee have been classified as KMP of the Company and the Group.

43.b Terms and Conditions

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and it is comparable with what is applied to transactions between the Company/Group and its unrelated customers.

43.c Transactions with Related Parties

Mr. A. M. A. Perera, Mr. G. A. Jayashantha, Mr. R. M. N. Jeewantha, Mr. H. P. K. Silva, Ms. R. Dulani Fernando, Mr. A. J. Ismail, Mr. R. L. S. A. Rajapakse, Mr. H. M. P. B. Herath were directors of the Company as at 31 December 2025.

43.d Transactions with Key Management Personnel and their Close Family Members

Remuneration to Key Management Personnel

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
(a) Remuneration to Board of Directors				
Short term employees benefits	9,088	4,992	12,225	7,322
	9,088	4,992	12,225	7,322
(b) Remuneration to Corporate Management				
Short term employees benefits	101,496	105,014		
Post employment benefits	-	278		
	101,496	105,292		

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

	Board of Directors		Corporate Management	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
(a) Items in the Statement of Financial Position				
Company				
Assets - Loan and receivables	-	-	20,844	8,336
Liabilities - Due to customers	-	-	10,702	3,416
Group				
Assets - Loan and receivables	35,166	55,166	-	-
Liabilities - Due to customers	28	27	10,704	13,976

	Board of Directors		Corporate Management	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
(b) Items in the Statement of Profit or Loss				
Company				
Interest income	-	-	359	379
Interest expense	-	-	915	259
Group				
Interest income	-	567	359	-
Interest expense	1	1	915	1,354
(c) Net accommodation as a % of capital funds				
Assets - Loan and receivables	0.64%	1.27%		

In addition to the above, the Company has also provided company maintained vehicles to the Chairman, Chief Executive Officer and four members in corporate management team of the Company in line with the approved employment terms of the Company.

Share Transactions With Key Management Personnel

As at 31 December	Company	
	2025	2024
No. of ordinary shares held	-	-

43.e Details of significant related party transactions that have been carried out in the ordinary course of business in an arm's length basis with entities are disclosed below.

Nature of Transactions	Income/(Expenses) Recognised During the Year		Assets/(Liabilities) as at 31 December	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Company				
Transactions with parent company				
Bank of Ceylon				
Money market loan	(103,303)	(174,116)	-	(2,950,227)
Current accounts	(1,170)	(1,021)	133,776	229,852
Overdue interest	(2,585)	(3,293)	(729,697)	(198,124)
Reverse repo	(93,994)	(95,319)	-	(2,408,440)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

43. RELATED PARTY DISCLOSURE (CONTD)

	Nature of Transactions	Income/(Expenses) Recognised During the Year		Assets/(Liabilities) as at 31 December	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Transactions with subsidiary					
MBSL Insurance Company Limited	Fixed deposits and savings	(18,341)	(29,486)	(172,276)	(216,417)
	Insurance agency commission	6,099	11,368	-	-
	Service charges income	763	1,868	-	-
	Insurance expenses	(6,419)	(25,648)	-	-
Transactions with associate					
Lanka Securities (Pvt) Ltd	Loans granted	1,025	-	11,255	-
	Fixed deposits and savings	(2)	-	(3)	(1)
	Dividend received	73,650	-	-	-
Transactions with other companies					
BOC Property Development and Management Company Limited	Debenture	(5,060)	(1,340)	(66,920)	(10,163)
	Rent paid	(153,768)	(139,499)	-	-
	Electricity, water, office maintenance	(21,786)	(22,210)	(2,639)	(1,399)
Transnational Lanka Records Solutions (Pvt) Ltd	Storage charges	(4,206)	(3,773)	-	-
	Backup media transport & vaulting	(278)	(235)	-	-

Transactions exceeding 10% of the gross income of the Company

Name of the Related Party	Relationship	Nature of the Transaction	Transaction Value		Transaction Value as a % of Gross Income		Terms and Conditions	
			2025 Rs.'000	2024 Rs.'000	2025 %	2024 %	2025	2024
Bank of Ceylon	Parent Company	Money market loans obtained	23,140,000	9,435,000	293%	124%	Normal terms	Normal terms
		Reverse repo	14,800,000	13,850,000	187%	183%	Normal terms	Normal terms

44. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements of the Company/Group.

45. CLASSIFICATION CHANGES IN COMPARATIVES

Classification changes in comparatives had and impact on the following components of the Financial Statements for the year ended 31 December, 2025.

	Company			Group			
	Reference	Current	As Reported	Impact	Current	As Reported	Impact
		Presentation	Previously		Presentation	Previously	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of Profit or Loss							
Dividend Income							
Net trading income	1	804,725	793,811	10,914	804,762	793,811	10,951
Other operating income	1	100,905	111,819	(10,914)	110,368	121,319	(10,951)
Closure Expenses							
Allowance for impairment losses reversal/(charge) for loans and other assets	2	(46,193)	(101,111)	54,918	(46,193)	(101,111)	54,918
Other operating expenses	2	1,029,665	1,084,583	(54,918)	1,192,608	1,247,526	(54,918)

Comparative figures have been changed due to following classification changes for the year 2025.

1. Dividend income which was categorised under other operating income, has been reclassified under net trading income.
2. Closure expenses which was categorised under other expenses, has been reclassified under allowance for impairment losses reversal/ (charge) for loans and other assets.

46. FINANCIAL REPORTING BY SEGMENT

Accounting Policy

The Group's segmental reporting is based on the business segment.

A segment is a distinguishable component of the Group that is engaged in providing products and services (Business segments, which are subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter -segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Financial Reporting Standards (SLFRS 8), the operating segment of the Group has been identified based on the products and services offered by the Group of which level of risks and rewards are significantly differ from one another.

Top management of the Group considers the operating results and condition of its business segment in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues describes as follows:

Lease and Hire Purchase

This segment includes lease and hire purchase products offered to the customers.

Loans and Receivables

This segment includes loan products offered to the customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

46. FINANCIAL REPORTING BY SEGMENT (CONTD.)

Corporate Advisory and Capital Markets

This segment includes capital market and corporate advisory services.

Insurance

Insurance business segment includes life and general insurance.

Eliminations/Other

This segment includes all other business activities other than the above segments.

Group	Leasing		Loans and Receivables		Corporate Advisory & Capital Markets		Insurance		Eliminations/Other		Total	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
As at 31 December												
Revenue from external customers												
Interest and similar income	2,636,220	2,007,988	3,188,472	2,051,089	257,941	287,991	216,910	289,081	1,142,559	1,831,332	7,442,102	6,467,481
Interest and similar expenses	1,146,972	1,002,783	1,619,545	1,203,755	181,664	223,929	9,377	11,617	1,307,462	1,561,143	4,265,020	4,003,227
Net interest income	1,489,248	1,005,205	1,568,927	847,334	76,277	64,062	207,533	277,464	(164,903)	270,189	3,177,082	2,464,254
Net fee and commission income	40,888	53,800	90,741	68,328	484	136	29,766	18,751	7,711	46,284	169,590	187,299
Insurance premium income	-	-	-	-	-	-	272,462	408,020	-	-	272,462	408,020
Net claims and benefits	-	-	-	-	-	-	(461,865)	(327,442)	-	-	(461,865)	(327,442)
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	-	-	71,911	169,134	-	-	129,402	203,023	201,313	372,157
Real estate profit	-	-	3,163	5,126	-	-	-	-	-	-	3,163	5,126
Other income	39,534	28,936	35,916	31,414	1,734	10,914	22,654	15,830	71,418	712,542	171,255	799,635
Total operating income	1,569,670	1,087,941	1,698,747	952,201	150,406	244,246	70,551	392,623	43,629	1,232,038	3,533,002	3,909,050
Impairment (charges)/reversal for loans and other losses	264,602	21,830	109,854	72,618	275,135	303,393	-	-	(538,076)	(351,648)	111,515	46,193
Net operating income	1,834,272	1,109,771	1,808,601	1,024,819	425,541	547,639	70,551	392,623	(494,447)	880,390	3,644,517	3,955,243
Personnel expenses	404,387	351,866	571,002	422,385	13,325	14,127	148,001	178,850	511,694	612,236	1,648,408	1,579,464
Depreciation and amortisation	79,677	73,126	112,506	87,781	105	161	35,522	36,645	103,340	130,009	331,150	327,722
Other operating expenses	244,234	272,472	344,863	327,079	12,425	16,019	167,160	190,461	297,484	386,578	1,066,167	1,192,608
Segment result	1,105,973	412,307	780,230	187,574	399,686	517,331	(280,132)	(13,333)	(1,406,966)	(248,433)	598,792	855,449
Profit/(loss) before VAT on financial services	-	-	-	-	-	-	-	-	-	-	598,792	855,449
Taxes on financial services	-	-	-	-	-	-	-	-	-	-	(405,504)	(392,787)
Share of associate company's profit/(loss) before tax	-	-	-	-	-	-	-	-	-	-	108,649	13,232
Profit/(Loss) before income tax	-	-	-	-	-	-	-	-	-	-	301,937	475,894
Income tax expense/(reversal)	-	-	-	-	-	-	-	-	-	-	(281,356)	(210,248)
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	-	-	20,581	265,646
Assets												
Capital expenditures												
Property, equipment and right-of-use assets	43,194	12,249	60,991	14,704	6,841	2,735	2,747	250	49,238	19,070	163,012	49,009
Intangible assets	2,652	8,895	3,744	10,678	420	1,986	205	1,405	3,023	13,848	10,044	36,812
Total segment assets	14,607,996	10,885,118	23,302,593	13,416,274	2,039,808	1,997,935	440,837	232,176	15,769,572	15,540,705	56,160,806	42,072,208
Total segment liabilities	13,544,246	9,123,900	19,124,719	10,952,459	2,145,213	2,037,432	1,511,434	1,375,787	15,267,134	13,987,767	51,592,747	37,477,347

Group As at 31 December	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2025
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from external customers										
Interest and similar income	3,704,448	527,054	772,987	879,695	227,881	325,998	196,668	349,130	458,241	7,442,102
Interest and similar expenses	3,419,970	297,994	155,573	209,688	15,972	28,112	18,547	41,902	77,262	4,265,020
Net interest income	284,477	229,060	617,414	670,007	211,909	297,886	178,121	307,228	380,979	3,177,082
Net fee and commission income	85,549	14,564	29,533	17,861	8,419	7,570	7,691	(2,978)	1,381	169,590
Net gain/(loss) on financial instruments at fair value through profit or loss	(581,041)	-	-	-	-	-	-	-	-	(581,041)
Real estate profit	3,163	-	-	-	-	-	-	-	-	3,163
Other income	745,634	3,687	2,016	7,330	1,232	796	1,426	1,228	860	764,208
Total operating income	537,782	247,312	648,963	695,198	221,561	306,252	187,239	305,478	383,219	3,533,002
Allowance for impairment losses charge for loans and other assets	123,698	4,408	(43)	(15,198)	(2,816)	3,994	252	(435)	(2,345)	111,515
Net operating income	661,480	251,720	648,920	680,000	218,744	310,246	187,491	305,043	380,875	3,644,517
Personnel expenses	1,170,563	72,533	118,621	96,031	25,321	51,103	32,475	40,040	41,722	1,648,408
Depreciation and amortisation	313,357	2,369	3,765	3,641	1,805	1,996	1,056	1,368	1,792	331,150
Other operating expenses	762,405	45,021	69,146	58,692	17,642	28,926	21,337	30,414	32,584	1,066,167
Segment result	(1,584,846)	131,798	457,389	521,636	173,976	228,220	132,622	233,221	304,776	598,792
Profit/(loss) before VAT on financial services										598,792
Taxes on financial services										(405,504)
Share of associate company's profit/ (loss) before tax										108,649
Profit/(Loss) before income tax										301,937
Income tax expense/(reversal)										(281,356)
Profit/(Loss) for the year										20,581
Assets										
Capital expenditures										
Property, equipment and right-of-use assets	140,972	2,848	4,538	4,357	1,884	2,405	1,754	2,213	2,042	163,012
Intangible assets	10,044	-	-	-	-	-	-	-	-	10,044
Total segment assets	32,092,413	3,217,396	5,435,890	5,687,091	1,532,647	1,999,351	1,360,136	2,142,674	2,693,207	56,160,806
Total segment liabilities	42,789,940	2,801,494	1,789,111	2,270,846	199,873	344,736	216,195	389,684	790,869	51,592,747

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

46. FINANCIAL REPORTING BY SEGMENT (CONTD)

Group As at 31 December	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from external customers										
Interest and similar income	4,030,422	399,498	503,866	579,276	142,352	206,178	138,072	192,630	275,187	6,467,481
Interest and similar expenses	3,058,681	329,596	178,318	218,009	20,657	31,801	24,876	54,882	86,407	4,003,227
Net interest income	971,741	69,902	325,548	361,267	121,695	174,377	113,196	137,748	188,780	2,464,254
Net fee and commission income	111,503	11,286	21,790	16,882	7,581	7,522	5,932	2,506	2,297	187,299
Net gain/(loss) on financial instruments at fair value through profit or loss	261,789	-	-	-	-	-	-	-	-	261,789
Real estate profit	5,126	-	-	-	-	-	-	-	-	5,126
Other income	973,513	4,175	3,525	6,230	190	1,206	600	628	515	990,582
Total operating income	2,323,672	85,363	350,863	384,379	129,466	183,105	119,728	140,882	191,592	3,909,050
Allowance for impairment losses charge for loans and other assets	30,923	185	4,809	7,375	358	2,330	4,346	3,031	(7,164)	46,193
Net operating income	2,354,596	85,548	355,671	391,754	129,824	185,435	124,074	143,913	184,428	3,955,243
Personnel expenses	1,176,108	65,919	97,418	79,550	22,581	41,037	23,973	37,639	35,238	1,579,464
Depreciation and amortisation	310,542	2,244	3,913	3,971	1,086	1,804	1,078	1,304	1,780	327,722
Other operating expenses	901,410	49,103	65,924	58,322	16,943	25,134	16,365	25,740	33,668	1,192,609
Segment result	(33,463)	(31,718)	188,416	249,911	89,214	117,459	82,658	79,230	113,742	855,449
Profit/(loss) before VAT on financial services										
Taxes on financial services	-	-	-	-	-	-	-	-	-	(392,787)
Share of associate company's profit/ (loss) before tax	-	-	-	-	-	-	-	-	-	13,232
Profit/(Loss) before income tax	-	-	-	-	-	-	-	-	-	475,894
Income tax expense/(reversal)	-	-	-	-	-	-	-	-	-	(210,248)
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	-	265,646
Assets										
Capital expenditures										
Property, equipment and right-of-use assets	41,282	1,015	1,780	1,721	509	758	520	639	784	49,009
Intangible assets	36,812	-	-	-	-	-	-	-	-	36,812
Total segment assets	27,159,440	2,307,105	3,180,506	3,545,390	880,852	1,311,519	807,667	1,209,343	1,670,387	42,072,208
Total segment liabilities	29,565,476	2,684,264	1,559,589	1,775,200	181,100	320,901	214,793	481,537	694,486	37,477,346

47. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Financial guarantees & claims to the customers	61,624	48,858	105,791	56,665
Total commitments and contingencies	61,624	48,858	105,791	56,665

In the normal course of business, the Company makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and therefore form part of the overall risk of the Company. No material losses are anticipated as a result of these transactions.

Undertaking Issued by the Company to Third Parties

MBSL as the major shareholder of MBSL Insurance Ltd, has issued a letter of undertaking to the Insurance Regulatory Commission of Sri Lanka stating that the MBSL will meet all life policyholder liabilities and any other liability arising from the life insurance portfolio of MBSL, in the event MBSL is unable to meet its obligations subject to the approval of CBSL.

However, MBSL Insurance Ltd has Contract Liabilities of life policy holders of Rs. 455 Mn as of 31.12.2024 and the Company has invested Rs. 818 Mn in Financial Instruments which is over and above the Contract Liabilities of life policy holders.

Pending Litigations

In the normal course of business, the Company incurs certain contingent liabilities with legal recourse to its customers and would be party to litigation due to its operations. Accordingly, set out below are the unresolved legal claims against the Company as at 25 March, 2026 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Company that has not been listed here on the basis of non-materiality and significance to operations.

No.	Action / Case No.	Purpose / Cause of Action	Status as at 25/03/2026	Claim Amount
1	23840/M DC - Anuradhapura	The Lessee/ Plaintiff filed this action claiming damages for wrongful re-possession of the vehicle and seeking a declaration to the effect that MBSL has violated the provisions of the lease agreement.	Further trial on 15/06/2026	Damages for wrongful re-possession (Case Value LKR 7,500,000).
2	DMR/3675/11 DC - Colombo	This action has been filed against MBSL to recover LKR 2,500,000/- as damages for refusal to grant a HP facility.	Judgement on 30/03/2026	LKR 2,500,000.
3	4145/L DC - Chilaw	A third party seeks a declaration of title on the property that was mortgaged to MBSL and owned by MBSL through court auction.	Judgement delivered in open courts. As per the judgement the plaint was dismissed by courts and also the counter claim made by the defendant (MBSL) was rejected. As per the instructions of the Counsel notice of appeal filed on 12/12/2025. Appealed filed 20/01/2026.	Damages of LKR 500,000/- and further LKR 15,000/- per month until payment of damages in full from 09/03/2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

47. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD)

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2023	Claim amount
4	HC/CIVIL/06/2013/ MR	The plaintiff is seeking, inter alia, the refund of the advance payment of LKR 50,761,866.10 made by the plaintiff to MBSL and a further sum of LKR 50,000,000 as damages in connection with a share sale and purchase agreement entered in March 2012 in respect of the sale of MBSL's shareholding in MBSL Savings Bank Limited at that time to a consortium of investors led by the Plaintiff and a mandatory injunction in this connection. Interim injunction sought by the plaintiff was refused.	Judgement on 30/03/2026.	Refund of the advance payment of LKR 50,761,866.10 together with interest at the rate of 14% per annum on the said sum from 27/07/2012 until the decree and legal interest from the date of the decree until payment in full and a further sum of LKR 50,000,000 as damages.
5	9473/L DC - Embilipitiya	Plaintiff seeks a declaration of title on the property that was mortgaged to MBSL and owned by MBSL through court auction.	Case was laid by till the final determination of the case No. 12941/SPL filed against the petitioner by a 3rd party.	LKR 500,000/- and damages of LKR 50,000/- from Oct 2006 till the decree.
6	4977/SPL DC - Colombo	This case has been filed against MCSL Financial Services Limited and 3 others in 1997. Plaintiff is seeking an order declaring Mortgage Bond No 77 dated 02-10-1995 attested by Mihirun Nisha Nachchiya Abdeen, Notary Public null and void. On a complaint made by the plaintiff a criminal action is also instituted against the 1st defendant in the HC Colombo bearing case No. 1060/2002.	Connected criminal action bearing No. HC Colombo 1060/2002 is also in the trial stage. The judgement of this case was delivered against MBSL on 20/05/2025 and petition of appeal filed on 18/07/2025.	Sum of LKR 5,000,000/- as damages together with interest at the rate of 24% per annum from 02/10/1995.
7	CHC/215/2015/MR (DMR785/2013)	Plaintiffs are the Shareholders of MBSL (formally MBSL Savings Bank Ltd) and they have instituted an action in the District Court of Colombo (Case No. DMR/785/13) claiming LKR 3,841,000/- for their equity investment in MBSL. This case has been subsequently transferred to Commercial High Court.	Judgement was delivered on 17/12/2025 in favour of MBSL. plaint was dismissed and appeal notice filed by the plaintiff and it was received on 26/12/2025.	LKR 3,841,600
8	4016/M DC - Marawila	This is an action instituted by the plaintiff seeking damages for wrongfully demanding a further sum of money despite the alleged settlement of the facility.	Corrections of proceedings and written submissions on 08/01/2026.	LKR 9,000,000
9	16245/M DC - Kurunegala	This action has been instituted by the joint lessees claiming damages for the vehicle bearing No. NW PR 7078. Plaintiff claims that at the time of transferring the registered ownership of the vehicle a dummy party has been inserted to the book without their concurrence. Plaintiff further claims that due to the insertion of another transfer to the CR the value of the vehicle has been depreciated.	Further trial on 23/01/2026	LKR 400,000

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2023	Claim amount
10	DMR 2793/2020 DC - Colombo	The plaintiff has instituted this action against MBSL for wrongful termination of a HP facility.	Plaintiff to pay LKR 1,100,000/- to MBSL in twenty four (24) monthly installments. Accordingly terms of settlement were entered in courts on 31/03/2023. As per the terms of settlement facility was fully settled on 19/02/2025 and the plaintiff needs to file steps terminate the proceedings of this case.	LKR 10,000,000
11	CA/TAX/43/2019 Court of Appeal	An appeal against the determination dated 2 nd September 2019 delivered by the Tax Appeals Commission holding that the reversal of provision made for related party receivable should not be made liable for VAT on Financial Services.	Argument on 30/03/2026	VAT on LKR 95,000,000
12	DMR/1492/21 DC - Colombo	This action has been filed against MBSL to recover LKR 4,625,557/- together with the legal interest and legal cost as damages for wrongful re-possession of the vehicle bearing No. NC-PD-1969.	Trial on 18/06/2026	LKR.4,625,557/- and legal interest from the date of the decree until payment in full.
13	22495/L DC - Homagama WP/HCCA/HO/ 282/24/LA	This action is filed by the owner of the adjacent land of the land which was already sold by the MBSL to the 2nd defendant, regarding the disputes arisen from the south eastern boundary.	22495/L DC - Amended plaint & 2D's commission report (1D - MBSL) on 03/02/2026. WP/HCCA/HO/282/24/LA - order on 04/05/2026	Damages amounting to a sum of LKR 2,500,000/- together with LKR 50,000/- per month from 13/10/2022 to 21/03/2023 and LKR 10,000/- per month from 21/03/2023 to the decree date.
14	DHP/628/241	This action has been filed by a customer seeking an enjoining order against MBSL and the third party who has purchased the vehicle bearing no. 59-4502 at the auction, preventing sale of vehicle bearing no. 59-4502.	Pre Trial on 04/05/2026	LKR 5,000,000/- and legal interest from the date of the decree until payment in full.
15	DMR/1492/21 DC - Colombo	W.W.H.R Fernando, Plaintiff filed Action against MBSL and A.V.M Waidyarathna claiming a sum of LKR 970,000/- as the sum alleged and damages to be due to him from selling his vehicle.	Replication & settlement on 28/04/2026	To claim the sum of LKR 970,000/- as the sum alleged and damages.
16	27/25/TR	This case has been filed by a third party (K.H.G.Q Tensan Kumarasinghe) against MBSL and J.Vaseer (customer) stating that the subject land has been transferred to K.R.S Premasiri and J.Vaseer as a trust by the said third party and J.Vaseer has mortgaged the same to MBSL illegally and that transaction is fraudulent.	2nd Defendant - Steps 1st defendant & 3rd defendant -answer on 30/03/2026.	LKR.1,100,000
17	3682/SPL	A.L.S Perera Vs MBSL	1D, 2D - Steps, 3D (MBSL) - Answer on 30/03/2026	LKR 5,000,000
18	13/305/2002 LT 13- Borella	Challenging the termination of service	Inquiry of the respondent has been commenced. Respondent's witness will cross-examine on next date.	Inter alia reinstatement with back wages and/or compensation.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

47. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD)

47.1 Group

Contingencies and commitments of MBSL Insurance Company Limited.

47.1.1 Contingent Assets

The litigation initiated by the Company which is currently in favor to the Company in the normal course of business are as follows:

- A litigation has been initiated by the Company against the Cricket Board of Sri Lanka to recover an unpaid premium of US \$ 619,158.

47.1.2 Contingent Liabilities

Litigation which is currently against the Company in the normal course of business will be categorised as follows.

As at 31 December	Group	
	2025 Rs.'000	2024 Rs.'000
Bond claims	3,157	3,157
Insurance claims	41,010	4,650
Third party claims	740,496	642,021
	784,663	649,828

No provision has been made in the Financial Statements for a performance bond insurance claim amounting to Rs. 293,932,500 intimated in the year 2016. The performance bond was issued on behalf of a contractor, for a period of three years (from 1st November 2013 to 1st November 2016) annually renewable. However, the premium for the final year had not been settled by the contractor and the policy has been cancelled on 12th January 2016. The cancellation has been informed to the claimant in writing. On 1st September 2016, the claimant has called on the performance bond informing that the contractor has failed to perform as per the agreement entered with the claimant. There is a probability that the claimant would initiate legal action against MBSL Insurance Company Limited. However, the opinion of the directors in consultation with the Company lawyers is that the claimant has no legal right to claim under the performance bond at it was cancelled by MBSL Insurance Company Limited for the non-settlement of premium and this was informed to the claimant several months before the claimant made the claim.

48. RISK MANAGEMENT

Risk Management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of the Merchant Bank of Sri Lanka & Finance PLC strategic and financial goals. Merchant Bank of Sri Lanka & Finance PLC has established a sound risk management framework to identify and mitigate the risk exposure.

The Board of Directors (BOD) is primarily responsible for overall risk management of Merchant Bank of Sri Lanka & Finance PLC. Hence the BOD has established Integrated Risk Management Committee for prudent risk management. Integrated Risk Management Committee (IRMC) of the Company is responsible for:

- Assessing all risks that affect to Merchant Bank of Sri Lanka & Finance PLC and taking necessary actions to mitigate risks.
- Reviewing the adequacy and effectiveness of all management level committees to address specific risks and managing those risks within quantitative risks limits identified by the committee.
- Assessing all aspects of risk management including updated business continuity plan.
- Take prompt corrective actions to mitigate the effects of specific risks identified by the IRMC or Risk Management division.

Merchant Bank of Sri Lanka & Finance PLC has identified 4 critical types of risk which can effect on MBSL's operations adversely as credit, market, liquidity and operational risks.

Risk Mitigation

Merchant Bank of Sri Lanka & Finance PLC has established IRMC, Assets and Liability Committee (ALCO), Investment and Credit Committees for mitigating the risk exposure, faced by the Company. Credit Committee is responsible to mitigate the credit risk while ALCO is responsible to mitigate the liquidity risk of Merchant Bank of Sri Lanka & Finance PLC by managing assets and liabilities of the Company. All the other committees report to the IRMC. The IRMC is responsible to manage the overall risk of Merchant Bank of Sri Lanka & Finance PLC and headed by a Board member. The Merchant Bank of Sri Lanka & Finance PLC uses accepted methods to mitigate risks faced by the Company.

Risk Measurement Systems

Merchant Bank of Sri Lanka & Finance PLC measures the expected and unexpected losses using various accepted models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Merchant Bank of Sri Lanka & Finance PLC is developing exposure limits, forecasting, ratios and risk assessment forms to identify and measure the risk.

48.1 Credit Risk

Credit risk is the potential that a company, borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Financial Institutions need to manage the credit risk inherent in the entire portfolio as well as the risks associated with individual credits or transactions. Merchant Bank of Sri Lanka & Finance PLC has established a Credit committee to ensure the credit quality of the Company. Credit committee makes necessary amendments to collateral requirement, interest rates and exposure limits by analysing credit worthiness of the counterparties. At present Merchant Bank of Sri Lanka & Finance PLC is in the process of developing a credit rating system to analyse the clientele. Exposure, Repayment capacity, Collateral value and purpose are used as criteria of credit ratings. Merchant Bank of Sri Lanka & Finance PLC analyses the concentration to loan portfolio to mitigate the credit risk. Concentration is measured based on industry sector and geographical spread.

Consideration of Current Economic Conditions on Credit Risk

Company continued to conduct in-debt analysis on the industries which has been affected and the scale of impact on company lending portfolio, through various stress testing techniques including stage shift assessment of evaluated risk industries. Uncertainties relating to the economic conditions in Sri Lanka stressed the importance of diversification of the Company loan's book across a wide range of industries which in turn would ensure the resilience of the Company in the economic environment of this nature. The Company is comfortable with the existing composition of its loan book and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky economic segments.

Concentration Risk

Concentration risk can arise from uneven distribution of exposures to its borrowers. Concentration risk can create in several ways:

- (a). Individual counterparties
- (b). Groups of individual counterparties or related entities
- (c). Counterparties in specific geographical locations
- (d). Industry sectors
- (e). Specific products

Sector wise concentration and geographical concentration is considered to assess the concentration risk of the Company. Merchant Bank of Sri Lanka & Finance PLC focuses to maintain a diversified portfolio to reduce the concentration risk.

The methodology used in the determination of expected credit losses is explained in Note 3.5.11.1 to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

48.2 Movement of the Total Allowance for Expected Credit Losses During the Period

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01st January		1,730,177	2,408,331	1,730,177	2,408,331
Net charge for the year	12.	(112,828)	(142,391)	(112,828)	(142,391)
Balance as at 31st December		1,617,349	2,265,940	1,617,349	2,265,940

48.2.1 Sensitive Analysis

Impact of the Measurement of the Company's Allowance for Expected Credit Losses for the Year 2025

As at 31 December	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement Rs.'000
	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000	
Change in Probability of Default (PD)					
Increase existing PD by 10% across all age buckets	251,019	37,441	-	288,460	288,460
Decrease existing PD by 10% across all age buckets	(129,546)	(35,658)	-	(165,204)	(165,204)
Change in Loss Given Default (LGD)					
1% increase	15,184	11,117	18,831	45,132	45,132
1% decrease	(15,184)	(11,117)	(18,831)	(45,132)	(45,132)
Change in Economic Factor Adjustment (EFA)					
Worse case 5% increase, best case					
5% decrease, base case constant	7,407	4,485	-	11,892	11,892
Worse case 5% decrease, best case					
5% increase, base case constant	(648)	(287)	-	(935)	(935)

48.2.2 Impact of the Measurement of the Company's Allowance for Expected Credit Losses for the Year 2024

As at 31 December	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement Rs.'000
	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000	
Change in Probability of Default (PD)					
Increase existing PD by 10% across all age buckets	116,113	21,501	-	137,614	137,614
Decrease existing PD by 10% across all age buckets	(95,013)	(21,500)	-	(116,513)	(116,513)
Change in Loss Given Default (LGD)					
1% increase	12,656	6,416	23,989	43,061	43,061
1% decrease	(12,640)	(6,414)	(24,007)	(43,061)	(43,061)
Change in Economic Factor Adjustment (EFA)					
Worse case 5% increase, best case					
5% decrease, base case constant	1,539	757	-	2,296	2,296
Worse case 5% decrease, best case					
5% increase, base case constant	(1,523)	(758)	-	(2,281)	(2,281)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

48.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

Management of Market Risk

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

As at 31 December	2025			2024		
	Carrying Amount Rs.'000	Market Risk Measurement		Carrying Amount Rs.'000	Market Risk Measurement	
		Trading Portfolio Rs.'000	Non-trading Portfolio Rs.'000		Trading Portfolio Rs.'000	Non-trading Portfolio Rs.'000
Treasury bills	-	-	-	2,612,017	-	2,612,017
Treasury bonds	4,425,177	7,296,561	4,425,177	861,952	8,239,090	861,952

48.3.1 Equity Risk

A summary of the VaR position of the Bank's trading equity Holdings as at 31st December 2025 and during the period is as follows:

As at 31 December	2025	2024
Equity Portfolio Market Value (LKR Mn)	337	296
Value at Risk (at 99% Confidence Level)	-3.68%	-2.37%
Maximum possible loss of value (LKR Mn)	(12)	(7)

The principal tool used to measure and control market risk exposure within the Company is Value at Risk (VaR). The VaR of a portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model is used mainly based on historical simulation by the Company upon a 99 percent confidence level.

Assumptions	
Method	Historical Simulation Method
Confidence Level	99%
Duration	1 Day

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the followings.

- The historical simulation method assumes that the statistical properties of the data remain constant over time, which may not always be true.
- The historical simulation method relies on past data to estimate the VaR, which means that it may not be able to capture extreme events that have not occurred in the past.
- The historical simulation method does not take into account current market conditions, such as changes in interest rates or economic conditions, which can affect the accuracy of the VaR estimate.
- The historical simulation method is a non-parametric approach, which means that it does not assume a specific distribution for the data.

The Company's VaR models are subject to regular review by Risk Management Department to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate.

Additionally, the Company uses a wide range of stress tests to model the financial impact of various exceptional market of financial instruments such as equities and bonds. The results of the stress tests are reviewed periodically by the Asset and Liability Committee (ALCO) and Board Integrated Risk Management Committee (BIRMC).

As at 31 December	Magnitude of Shock & the Fall in Value of Equities (LKR' Mn)			
	Portfolio Market Value	Scenario 15%	Scenario 2 10%	Scenario 3 15%
2025	337.48	(13.41)	(26.83)	(40.24)
2024	295.82	(16.55)	(33.09)	(49.64)

The table above illustrates the sensitivity to a reasonably plausible alteration in quoted equity indices (ASPI), while maintaining all other variables constant on the Company's Statement of Profit or Loss. As of December 31, 2025, the All Share Price Index of the Colombo Stock Exchange was recorded at 22,624.31. Scenarios have been considered for a 5%, 10%, and 15% decrease from the year-end index.

Assumptions

- There is a direct relationship between the CSE All Share Price Index & the MBSL equity portfolio.
- Impact is calculated based on the beta factor of individual shares.

48.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's policy is to continuously monitor positions on a daily basis and use periodic interest re-pricing strategies to ensure positions are maintained within prudential levels.

The following tables demonstrate the sensitivity of the Company's Statement of Profit or Loss for the year ended 31st December 2025 and 31st December 2024 to a reasonable possible change (increase) in interest rates, with all other variables held constant.

The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

Interest Rate Scenario(+/-)	2025	2024
2%	(195.5)	(186.7)
4%	(391.1)	(280.0)
6%	(586.6)	(373.4)

Assumptions

- Repricing Gap Model is used to calculate the interest rate impact.
- Changes in interest rates will equally impact to RSA & RSL.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

48.3.3 The below table analyses the Company's interest rate risk exposure on financial assets and liabilities. Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	Non-Interest Bearing Rs.'000	2025 Total Rs.'000
Cash and cash equivalents	618,703	-	-	-	-	-	618,703
Placements with banks & financial institutions	-	-	-	-	-	-	-
Financial investments at fair value through profit or loss	337,476	-	-	4,483,781	2,812,780	-	7,634,037
Loans & receivables at amortised cost	9,883,931	6,584,822	1,573,496	15,638,208	5,905,126	-	39,585,583
Financial investments at fair value through other comprehensive income	-	-	-	-	54	-	54
Financial investments at amortised cost	52,348	-	520,528	2,379,776	1,472,525	-	4,425,177
Financial other assets	-	93,866	-	-	66,445	-	160,311
Non financial assets	-	-	-	-	-	1,963,929	1,963,929
Total assets	10,892,458	6,678,688	2,094,024	22,501,765	10,256,930	1,963,929	54,387,795
Due to banks	11,654,002	-	2,753,237	482,665	-	-	14,889,904
Due to customers at amortised cost	6,540,284	16,902,327	7,224,577	1,022,821	102,749	-	31,792,758
Debt issued and borrowed funds at amortised cost	-	-	750,899	1,070,494	-	-	1,821,393
Other financial liabilities	77,908	-	-	-	-	-	77,908
Non financial liabilities	-	-	-	-	-	1,671,626	1,671,626
Total liabilities	18,272,194	16,902,327	10,728,713	2,575,980	102,749	1,671,626	50,253,589

48.3.4

	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	Non-Interest Bearing Rs.'000	2024 Total Rs.'000
Cash and cash equivalents	752,190	-	-	-	-	-	752,190
Placements with banks & financial institutions	-	203,332	-	-	-	-	203,332
Financial investments at fair value through profit or loss	295,824	-	217,119	6,972,981	1,048,991	-	8,534,915
Loans & receivables at amortised cost	6,503,088	4,246,316	765,406	9,173,478	5,253,720	-	25,942,008
Financial investments at fair value through other comprehensive income	16,500	-	-	-	54	-	16,554
Financial investments at amortised cost	581,428	2,378,965	49,239	464,337	-	-	3,473,969
Financial other assets	-	12,542	-	-	65,690	-	78,232
Non financial assets	-	-	-	-	-	1,198,808	1,198,808
Total assets	8,149,030	6,841,155	1,031,764	16,610,796	6,368,455	1,198,808	40,200,008
Due to banks	7,663,377	-	-	480,711	-	-	8,144,088
Due to customers at amortised cost	5,829,028	13,774,958	5,611,138	652,469	88,582	-	25,956,175
Debt issued and borrowed funds at amortised cost	-	-	61,632	668,401	-	-	730,033
Other financial liabilities	132,820	-	-	-	-	-	132,820
Non financial liabilities	-	-	-	-	-	1,354,861	1,354,861
Total liabilities	13,625,225	13,774,958	5,672,770	1,801,581	88,582	1,354,861	36,317,977

48.3.5 Commodity Price Risk

Commodity price risk of the Company is limited to the extent of the Pawning portfolio which is impacted by movements in the price of gold. Company uses conservative loan to value ratios to manage its exposures to commodity price risk.

As at 31 December	2025	2024
Market value of pawning portfolio (LKR' Mn)	12,617	6,523
Portfolio balance (pawning) (LKR' Mn)	8,306	4,977
Loan to value (LTV) ratio	66%	76%
Market price scenario & impact on LTV		
-10%	73%	85%
-20%	82%	95%
-30%	94%	109%

Assumptions

- Market prices of gold at the year-end is considered for the calculations.
- LTV Impact is calculated considering the entire pawning portfolio & gold stock.

48.4 Industry Analysis Risk Concentration

48.4.1 The Company's Concentrations of Risk are Managed by Industry Sector.

As at 31 December	Financials	Agriculture	Manufacturing	Tourism	Transportation	Construction	Trade	Services	Consumption	2025 Total	2024 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets											
Cash and cash equivalents	618,703	-	-	-	-	-	-	-	-	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	-	-	-	-	203,332
Financial investments at fair value through profit or loss											
Equity securities - Quoted	16,205	63,393	14,888	-	-	147,833	19,699	75,459	-	337,477	295,824
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised cost											
Loans & receivables	6,407,976	5,029,128	2,438,032	1,303,191	11,991,514	4,388,626	2,025,583	2,562,067	5,169,643	41,315,760	28,350,339
Government securities	4,425,177	-	-	-	-	-	-	-	-	4,425,177	3,473,969
Financial investments at fair value through other comprehensive income											
Government securities	-	-	-	-	-	-	-	-	-	-	-
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust	-	-	-	-	-	-	-	-	-	-	-
Other assets	160,311	-	-	-	-	-	-	-	-	160,311	78,232
Total financial assets as at 31 December 2025	18,924,987	5,092,521	2,452,920	1,303,191	11,991,514	4,536,459	2,045,282	2,637,526	5,169,643	54,154,043	
Total financial assets as at 31 December 2024	16,977,031	1,815,003	1,762,559	792,201	5,790,924	3,056,551	2,896,455	639,288	7,679,518		41,409,530

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

48.4.2 The Group's Concentrations of Risk are Manage by Industry Sector.

As at 31 December	Financials	Agriculture	Manufacturing	Tourism	Transportation	Construction	Trade	Services	Consumption	2025 Total	2024 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets											
Cash and cash equivalents	891,554	-	-	-	-	-	-	-	-	891,554	854,028
Placements with banks & financial institutions	452,254	-	-	-	-	-	-	-	-	452,254	644,044
Financial investments at fair value through profit or loss											
Equity securities - Quoted	18,435	63,393	26,821	-	-	152,596	19,699	75,459	-	356,402	308,884
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised cost											
Loans & receivables at amortised cost	6,407,976	5,029,128	2,438,032	1,303,191	11,991,514	4,388,626	2,025,583	2,563,322	5,169,643	41,317,015	28,354,833
Government securities	5,051,559	-	-	-	-	-	-	-	-	5,051,559	4,498,689
Financial investments at fair value through other comprehensive income											
Government securities	108,550	-	-	-	-	-	-	-	-	108,550	101,699
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust	-	-	-	18,230	-	-	-	-	-	18,230	16,805
Other assets	-	-	-	160,311	-	-	-	-	-	160,311	78,232
Total financial assets as at 31 December 2025	29,931,453	3,265,158	5,484,475	5,737,605	1,530,417	1,997,601	1,366,547	2,140,536	2,700,250	54,154,042	-
Total financial assets as at 31 December 2024	26,260,340	2,368,556	3,242,382	3,584,385	886,091	1,328,565	820,797	1,230,611	1,687,803		41,409,530

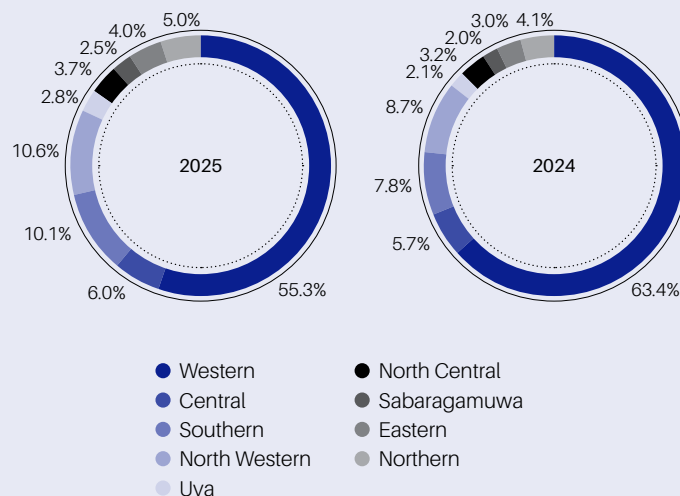
48.5 Geographical Analysis

The following table presents the distribution of financial assets of the Company & Group by geographical segment, allocated based on the location in which the financial assets and liabilities are recorded for the year ended 31 December 2025 together with comparative figures for the year ended 31 December 2024.

48.5.1 The Company's Concentrations of Risk are Managed by Geographical Segment.

As at 31 December	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2025 Total	2024 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets											
Cash and cash equivalents	403,452	29,151	53,361	42,252	11,473	15,653	8,085	25,434	29,842	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	-	-	-	-	203,332
Financial investments at fair value through profit or loss											
Equity securities - Quoted	337,476	-	-	-	-	-	-	-	-	337,476	295,824
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised cost											
Loans & receivables at amortised cost	17,308,422	3,236,007	5,431,114	5,695,353	1,518,944	1,981,948	1,358,462	2,115,102	2,670,408	41,315,760	28,350,339
Government securities	4,425,177	-	-	-	-	-	-	-	-	4,425,177	3,473,969
Financial investments at fair value through other comprehensive income											
Government securities	-	-	-	-	-	-	-	-	-	-	-
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust	-	-	-	-	-	-	-	-	-	-	-
Other assets	160,311	-	-	-	-	-	-	-	-	160,311	78,232
Total financial assets as at 31 December 2025	31,429,901	3,265,158	5,484,475	5,737,605	1,530,417	1,997,601	1,366,547	2,140,536	2,700,250	54,154,042	-
Total financial assets as at 31 December 2024	27,963,667	2,368,556	3,242,382	3,584,385	886,091	1,328,565	820,797	1,230,611	1,687,804	-	41,409,530

Company



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

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

48.6 Liquidity Risk

Liquidity risk is the possibility of losses arising from fluctuations in Group's ability to sell or dispose the assets and settle the liabilities.

Group believes that effective management of liquidity risk is vital for continuing Group's operations successful. Accordingly, Merchant Bank of Sri Lanka & Finance PLC has implemented the Board Approved Liquidity Risk Management Policy and established an Assets and Liability Committee (ALCO). Merchant Bank of Sri Lanka & Finance PLC uses ratios and maturity gap analysis to identify the liquidity risk of the Group.

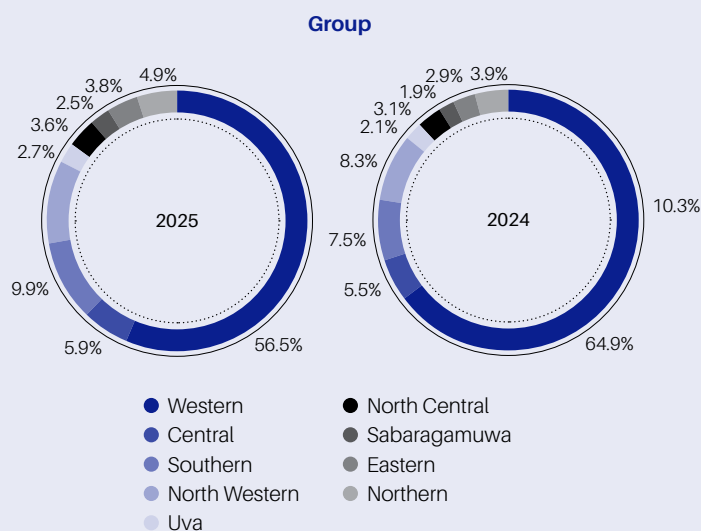
Maturity Analysis

The table below summarises the maturity profile of the contractual cash flows of the Company/Group's assets and liabilities as at 31 December 2025.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to be paid and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

48.6.1 Company

	On Demand Rs.'000	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Assets								
Financial assets								
Cash and cash equivalents	618,703	-	-	-	-	-	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	-	203,332
Financial investments at fair value through profit or loss	-	337,476	-	-	4,483,781	2,812,780	7,634,037	8,534,914
Loans & receivables at amortised cost	3,525,383	6,358,548	6,584,822	1,573,496	15,638,208	5,905,126	39,585,583	25,942,008
Financial investments at fair value through other comprehensive income	-	-	-	-	-	54	54	16,554
Financial investments at amortised cost	52,348	-	-	520,528	2,379,776	1,472,525	4,425,177	3,473,969
Financial other assets	-	-	93,866	-	-	66,445	160,311	78,232
Total financial assets as at 31 December 2025	4,196,434	6,696,025	6,678,688	2,094,024	22,501,765	10,256,930	52,423,865	
Total financial assets as at 31 December 2024	5,104,590	3,044,440	6,841,155	1,031,764	16,128,367	6,368,454		39,001,199
Non financial assets								



	On Demand Rs.'000	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Real estate stock	-	-	26,029	-	-	-	26,029	40,446
Investment in associate company	-	-	-	-	-	81,084	81,084	81,084
Investment in subsidiary	-	-	-	-	-	318,568	318,568	348,261
Property, equipment and right-of-use assets	-	-	-	-	-	1,080,743	1,080,743	467,355
Intangible assets	-	-	-	-	-	38,374	38,374	61,329
Deferred tax assets	-	-	-	-	-	130,134	130,134	91,893
Other assets	-	-	64,386	224,612	-	-	288,998	108,441
Total non-financial assets as at 31 December 2025	-	-	90,415	224,612	-	1,648,903	1,963,930	-
Total non-financial assets as at 31 December 2024	-	-	74,027	74,860	-	1,049,922	-	1,198,809
Total assets as at 31 December 2025	4,196,434	6,696,025	6,769,103	2,318,635	22,501,765	11,905,833	54,387,795	-
Total assets as at 31 December 2024	5,104,590	3,044,440	6,915,182	1,106,624	16,128,367	7,418,376	-	40,200,008
Financial liabilities								
Due to banks	11,654,002	-	-	2,753,237	482,665	-	14,889,904	8,144,088
Due to customers at amortised cost	1,993,080	4,547,203	16,902,328	7,224,577	1,022,821	102,749	31,792,758	25,956,175
Debt issued and borrowed funds at amortised cost	-	-	-	750,899	1,070,494	-	1,821,393	730,033
Other financial liabilities	-	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	13,647,082	4,625,111	16,902,328	10,728,713	2,575,980	102,749	48,581,963	-
Total financial liabilities as at 31 December 2024	5,196,012	8,429,213	13,774,958	5,672,770	1,801,581	88,582	-	34,963,116
Non financial liabilities								
Current tax liabilities	-	-	166,186	-	-	-	166,186	209,437
Lease liability	-	-	-	-	-	-	-	263,810
Other liabilities	-	1,081,349	-	-	-	-	1,081,349	498,440
Retirement benefits obligations	-	-	54,057	80,701	100,546	188,787	424,091	383,174
Total non-financial liabilities as at 31 December 2025	-	1,081,349	220,243	80,701	100,546	188,787	1,671,626	-
Total non-financial liabilities as at 31 December 2024	17,976	533,830	316,769	216,312	102,966	167,008	-	1,354,861
Total liabilities as at 31 December 2025	13,647,082	5,706,460	17,122,571	10,809,415	2,676,525	291,536	50,253,589	-
Total liabilities as at 31 December 2024	5,213,988	8,963,043	14,091,727	5,889,082	1,904,547	255,590	-	36,317,977
Equity								
Stated capital	-	-	-	-	-	4,276,448	4,276,448	4,276,448
Retained earnings	-	-	-	-	-	(1,011,105)	(1,011,105)	(1,189,204)
RLA reserve	-	-	418,362	-	-	-	418,362	424,622
OCI reserve	-	-	-	-	-	-	-	(22,100)
Statutory reserves	-	-	-	-	-	450,501	450,501	392,265
Total equity as at 31 December 2025	-	-	418,362	-	-	3,715,844	4,134,206	-
Total equity as at 31 December 2024	-	(22,100)	424,622	-	-	3,479,509	-	3,882,031
Total liabilities and equity as at 31 December 2025	13,647,082	5,706,460	17,540,933	10,809,415	2,676,525	4,007,380	54,387,795	-
Total liabilities and equity as at 31 December 2024	5,213,988	8,940,943	14,516,349	5,889,082	1,904,547	3,735,099	-	40,200,008

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

48.6.2 Group

	On Demand Rs.'000	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Assets								
Financial assets								
Cash and cash equivalents	682,425	-	209,129	-	-	-	891,554	854,028
Placements with banks & financial institutions	-	452,254	-	-	-	-	452,254	644,044
Financial investments at fair value through profit or loss	-	356,402	-	-	4,483,782	2,812,780	7,652,964	8,065,545
Loans & receivables at amortised cost	3,525,383	6,359,803	6,584,822	1,573,496	15,638,208	5,905,126	39,586,838	25,946,502
Financial investments at fair value through other comprehensive income	-	-	18,230	-	108,550	54	126,834	135,058
Financial investments at amortised cost	52,348	-	109,597	1,037,314	2,379,776	1,472,525	5,051,559	4,498,689
Financial other assets	-	-	93,866	-	-	66,445	160,311	78,233
Total financial assets as at 31 December 2025	4,260,156	7,168,459	7,015,643	2,610,809	22,610,316	10,256,930	53,922,313	-
Total financial assets as at 31 December 2024	5,204,282	3,502,706	7,086,906	1,830,037	16,230,066	6,368,103	-	40,222,099
Non financial assets								
Real estate stock	-	-	26,029	-	-	-	26,029	40,446
Investment in associate company	-	-	-	-	-	177,966	177,966	178,169
Property, equipment and right-of-use assets	-	-	-	-	-	1,139,639	1,139,639	542,233
Intangible assets	-	-	-	-	-	40,147	40,147	64,097
Deferred tax assets	-	-	-	-	-	130,830	130,830	100,473
Other assets	-	434,883	64,386	224,612	-	-	723,881	442,262
Total non-financial assets as at 31 December 2025	-	434,883	90,415	224,612	-	1,488,583	2,238,493	-
Total non-financial assets as at 31 December 2024	-	333,821	74,027	74,860	-	884,972	-	1,367,680
Total assets as at 31 December 2025	4,260,156	7,603,342	7,106,058	2,835,421	22,610,316	11,745,513	56,160,806	-
Total assets as at 31 December 2024	5,204,282	3,836,528	7,160,932	1,904,897	16,230,066	7,253,075	-	41,589,779
Financial liabilities								
Due to banks	11,654,002	4,583	-	2,753,237	482,665	-	14,894,487	8,144,088
Due to customers at amortised cost	1,993,080	4,547,203	16,730,052	7,224,577	1,022,821	102,749	31,620,482	25,739,758
Debt issued and borrowed funds at amortised cost	-	-	-	750,899	1,070,494	-	1,821,393	730,033
Other financial liabilities	-	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	13,647,082	4,629,694	16,730,052	10,728,713	2,575,980	102,749	48,414,270	-
Total financial liabilities as at 31 December 2024	5,196,012	8,429,213	13,558,541	5,672,770	1,801,581	88,582	-	34,746,699
Non financial liabilities								
Insurance contract liabilities-life	-	-	539,669	-	-	-	539,669	454,704
Insurance contract liabilities-non life	-	-	572,437	-	-	-	572,437	397,423
Current tax liabilities	-	-	166,186	-	-	-	166,186	209,437
Deferred tax liabilities	-	-	-	-	-	-	-	-
Lease liability	-	-	32,056	22,735	-	-	54,791	333,169
Other liabilities	-	1,081,349	324,761	-	-	1,961	1,408,071	941,788
Retirement benefits obligations	-	-	54,564	90,605	100,646	188,852	434,667	394,127
Total non-financial liabilities as at 31 December 2025	-	1,081,349	1,689,674	113,340	100,646	190,813	3,175,821	-

	On Demand Rs.'000	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Total non-financial liabilities as at 31 December 2024	17,976	533,830	1,635,080	263,504	111,206	169,051	-	2,730,648
Total liabilities as at 31 December 2025	13,647,082	5,711,043	18,419,726	10,842,053	2,676,626	293,562	51,590,091	
Total liabilities as at 31 December 2024	5,213,988	8,963,043	15,193,621	5,936,274	1,912,787	257,633		37,477,347
Equity								
Stated capital	-	-	-	-	-	4,276,448	4,276,448	4,276,448
Retained earnings	-	-	-	-	-	(885,779)	(885,779)	(940,833)
RLA reserve	-	-	418,362	-	-	-	418,362	424,622
OCI reserve	-	-	-	-	-	5,736	5,736	(22,206)
Statutory reserves	-	-	-	-	-	450,501	450,501	392,265
Non controlling interests	-	-	-	-	-	302,791	302,791	429,122
Total equity as at 31 December 2025	-	-	418,362	-	-	4,149,697	4,568,059	-
Total equity as at 31 December 2024	-	(22,100)	424,622	-	-	4,156,896	-	4,559,418
Total liabilities and equity as at 31 December 2025	13,647,082	5,711,043	18,838,087	10,842,053	2,676,626	4,443,259	56,158,150	-
Total liabilities and equity as at 31 December 2024	5,213,988	8,940,943	15,618,243	5,936,274	1,912,787	4,414,530	-	42,036,765

48.6.3 Current/Non Current Analysis

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

	Company			Group		
	Within 12 Months Rs.'000	After 12 Months Rs.'000	Total Rs.'000	Within 12 Months Rs.'000	After 12 Months Rs.'000	Total Rs.'000
Assets						
Cash and cash equivalents	618,703	-	618,703	891,554	-	891,554
Placements with banks & financial institutions	-	-	-	452,254	-	452,254
Financial investments at fair value through profit or loss	337,476	7,296,561	7,634,037	356,402	7,296,561	7,652,964
Loans & receivables at amortised cost	16,468,753	23,116,830	39,585,583	16,470,008	23,116,830	39,586,838
Financial investments at fair value through other comprehensive income	-	54	54	18,230	108,604	126,834
Financial investments at amortised cost	52,348	4,372,829	4,425,177	161,945	4,889,615	5,051,559
Real estate stock	26,029	-	26,029	26,029	-	26,029
Investment in associate company	-	81,084	81,084	-	177,966	177,966
Investment in subsidiary	-	318,568	318,568	-	-	-
Property, equipment and right-of-use assets	-	1,080,743	1,080,743	-	1,139,639	1,139,639
Intangible assets	-	38,374	38,374	-	40,147	40,147
Deferred tax assets	-	130,134	130,134	-	130,830	130,830
Other assets	158,251.55	291,057	449,309	593,135	291,057	884,192
Total assets as at 31 December 2025	17,661,561	36,726,234	54,387,794	18,969,557	37,191,250	56,160,806
Total assets as at 31 December 2024	15,064,213	24,653,367	39,717,580	16,201,742	25,388,038	41,589,780

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

Liabilities						
Due to banks	11,654,002	3,235,902	14,889,904	11,658,585	3,235,902	14,894,487
Due to customers at amortised cost	23,442,612	8,350,147	31,792,758	23,270,336	8,350,147	31,620,482
Debt issued and borrowed funds at amortised cost	-	1,821,393	1,821,393	-	1,821,393	1,821,393
Insurance contract liabilities-life	-	-	-	539,669	-	539,669
Insurance contract liabilities-non life	-	-	-	572,437	-	572,437
Current tax liabilities	166,186	-	166,186	166,186	-	166,186
Other liabilities	1,159,257	-	1,159,257	1,516,074	24,696	1,540,770
Retirement benefits obligations	54,057	370,033	424,090	54,564	380,103	434,667
Total liabilities as at 31 December 2025	36,476,114	13,777,475	50,253,588	37,777,850	13,812,241	51,590,091
Total liabilities as at 31 December 2024	28,268,758	8,049,219	36,317,977	29,370,652	8,106,695	37,477,347
Net assets as at 31 December 2025	(18,814,553)	22,948,759	4,134,206	(18,808,294)	23,379,009	4,570,715
Net assets as at 31 December 2024	(13,204,545)	16,604,148	3,399,603	(13,168,910)	17,281,343	4,112,433

48.7 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 December 2025.

Repayments of short term loans which are subject to notice are treated as if notice were to be given immediately. However the Company expects that banks will not request repayment on the earliest date that the Company is required to pay and the table does not reflect the expected cash flows indicated by the Company.

Company	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets							
Cash and cash equivalents	-	618,703	-	-	-	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	220,196
Financial investments at fair value through profit or loss	-	337,476	1,761,023	8,615,490	148,934	10,862,923	13,981,377
Loans & receivables at amortised cost	22,304,369	6,747,311	16,963,407	1,013,756	143,007	47,171,850	28,115,859
Financial investments at fair value through other comprehensive income	-	54	-	-	-	54	16,554
Financial investments at amortised cost	-	-	-	5,677,506	798,491	6,475,997	3,857,608
Financial other assets	-	93,866	-	-	66,445	160,311	78,232
Total financial assets as at 31 December 2025	22,304,369	7,797,410	18,724,430	15,306,752	1,156,877	65,289,839	-
Total financial assets as at 31 December 2024	12,314,750	10,530,381	10,650,462	11,779,823	1,746,600	-	47,022,016
Financial liabilities							
Due to banks	7,392,267	-	-	7,754,464	-	15,146,731	5,619,401
Due to customers at amortised cost	7,836,869	17,859,087	8,096,403	971,901	93	34,764,353	29,128,558
Debt issued and borrowed funds at amortised cost	-	-	-	2,852,324	-	2,852,324	1,610,319
Other financial liabilities	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	15,307,044	17,859,087	8,096,403	11,578,689	93	52,841,316	-
Total financial liabilities as at 31 December 2024	12,076,939	15,189,924	7,135,641	2,088,481	113	-	36,491,098

Group	Up to 03 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	More than 5 Years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets							
Cash and cash equivalents	-	682,425	209,129	-	-	891,554	854,028
Placements with banks & financial institutions	452,254	-	-	-	-	452,254	660,908
Financial investments at fair value through profit or loss	-	356,402	1,761,023	8,615,490	148,934	10,881,849	13,994,437
Loans & receivables at amortised cost	22,305,624	6,747,311	16,963,407	1,013,756	143,007	47,173,105	28,120,353
Financial investments at fair value through other comprehensive income	-	54	-	-	-	54	16,554
Financial investments at amortised cost	-	109,597	516,786	5,677,506	798,491	7,102,379	4,882,327
Financial other assets	-	93,866	-	-	66,445	160,311	78,232
Total financial assets as at 31 December 2025	22,757,878	7,989,656	19,450,345	15,306,752	1,156,877	66,661,508	-
Total financial assets as at 31 December 2024	12,759,956	10,869,931	11,450,881	11,779,823	1,746,249	-	48,606,839
Financial liabilities							
Due to banks	7,396,850	-	-	7,754,464	-	15,151,314	5,619,401
Due to customers at amortised cost	7,836,869	17,686,811	8,096,403	971,901	93	34,592,077	28,912,141
Debt issued and borrowed funds at amortised cost	-	-	-	2,852,324	-	2,852,324	1,610,319
Other financial liabilities	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	15,311,627	17,686,811	8,096,403	11,578,689	93	52,673,623	-
Total financial liabilities as at 31 December 2024	12,076,939	14,973,507	7,135,641	2,088,481	113	-	36,274,681

48. RISK MANAGEMENT (CONTD)

48.8 Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts, by careful selection and implementation of underwriting strategies and by use of reinsurance arrangements. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance, which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses.

MBSL Insurance Company Ltd (MBSLI), the subsidiary of the Company, operates both life and general insurance businesses. Major risks of Life Insurance business are:

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48.8.1 Life Insurance Contracts

Life Insurance Contracts offered by the Company include term assurance, endowment plans, annuity plans and group plans. Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability whichever happens earlier. Endowment products acquire a surrender value upon completion of three years.

The main risks that the Company is exposed to under Life Insurance Contracts are as follows:

Mortality risk - risk of loss arising due to policy holders' death experience being different from expected.

Morbidity risk - risk of loss arising due to policy holders' health experience being different from expected.

Longevity risk - risk of loss arising due to the annuitant living longer than expected.

Investment return risk - risk of loss arising from actual returns being different from expected.

Expense risk - risk of loss arising from the expense experience being different from expected.

Policy holder decision risk - risk of loss arising due to policy holders' experiences (lapses and surrenders) being different from expected.

Prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, detailed claims handling procedures, underwriting limits to enforce appropriate risk selection criteria, actively managing and promptly pursuing claims in order to reduce its exposure to unpredictable future developments are some of the strategies, policies and procedures adopted by MBSLI to mitigate the above risks.

The most prominent risks of the General Insurance business include:

- **Risk of perils**

Climate leading to natural disasters, behavioral trends of people due to changing life styles and technology improvements.

- **Risk of fraud**

Risk of loss arising due to fraudulent claims.

- **Inflation risk**

Actual cash outflow being greater than the expected outflow of a policy, due to the general inflation during the time taken from the inception of a policy to claim settlement.

- **Currency risk**

Actual cash outflow being greater than the expected outflow of a policy, due to the currency depreciation during the time taken from the inception of a policy to claim settlement.

- **Reinsurance risk**

The Company has to guard against any risk of default from reinsurers, risk of non-acceptance of a claim and risk of withdrawal.

- **Credit risk**

Risk of non-payment, mainly arising from financial assets such financial investments, premium receivables from policyholders, receivables from reinsurers.

Diversification across a large portfolio of insurance contracts and geographical areas, strict claim review policies to assess claims, actively managing and promptly pursuing claims, imposing maximum claim amounts on certain contracts, routine review of all outstanding reinsurance receivables to ensure all dues are collected or set of against payables on time, confining reinsurance partnerships to globally trusted and stable reinsurance companies are key measures implemented to reduce the risks mentioned.

48.8.2 Maturity of the Group's Contingent Liabilities and Commitments

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

For issued guarantees to customers the maximum amount of the guarantees is allocated to the earliest period in which the guarantee could be called.

	On Demand Rs.'000	Less than 3 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000	Total 2025 Rs.'000	Total 2024 Rs.'000
Company								
Financial guarantees & claims to the customers	-	5,387	51,437	4,800	-	-	61,624	42,093
Total Commitments and Contingencies as at 31 December 2025	-	5,387	51,437	4,800	-	-	61,624	
Total Commitments and Contingencies as at 31 December 2024	195	5,846	42,617	200	-	-		48,858
Group								
Financial guarantees & claims to the customers	-	5,387	51,437	48,967	-	-	105,791	128,909
Total Commitments and Contingencies as at 31 December 2025	-	5,387	51,437	48,967	-	-	105,791	
Total Commitments and Contingencies as at 31 December 2024	195	5,846	42,617	8,007	-	-	-	56,665

The Group expects that not all contingent liabilities and commitments will be drawn before expiry of commitments.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

48. RISK MANAGEMENT (CONTD)

48.9 Operational Risk

Operational risk refers to the risk that risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk. Group's integrated risk management committee and risk management division has taken necessary actions to identify and manage the Company operational risk prudently and effectively.

The Company recognises that operational risk is inherent in all business activities and can bring unprecedented losses or damages to its business through direct or indirect financial loss, brand or reputational damage, customer dissatisfaction, legal or regulatory penalties if such risks are not objectively managed.

49. CAPITAL MANAGEMENT

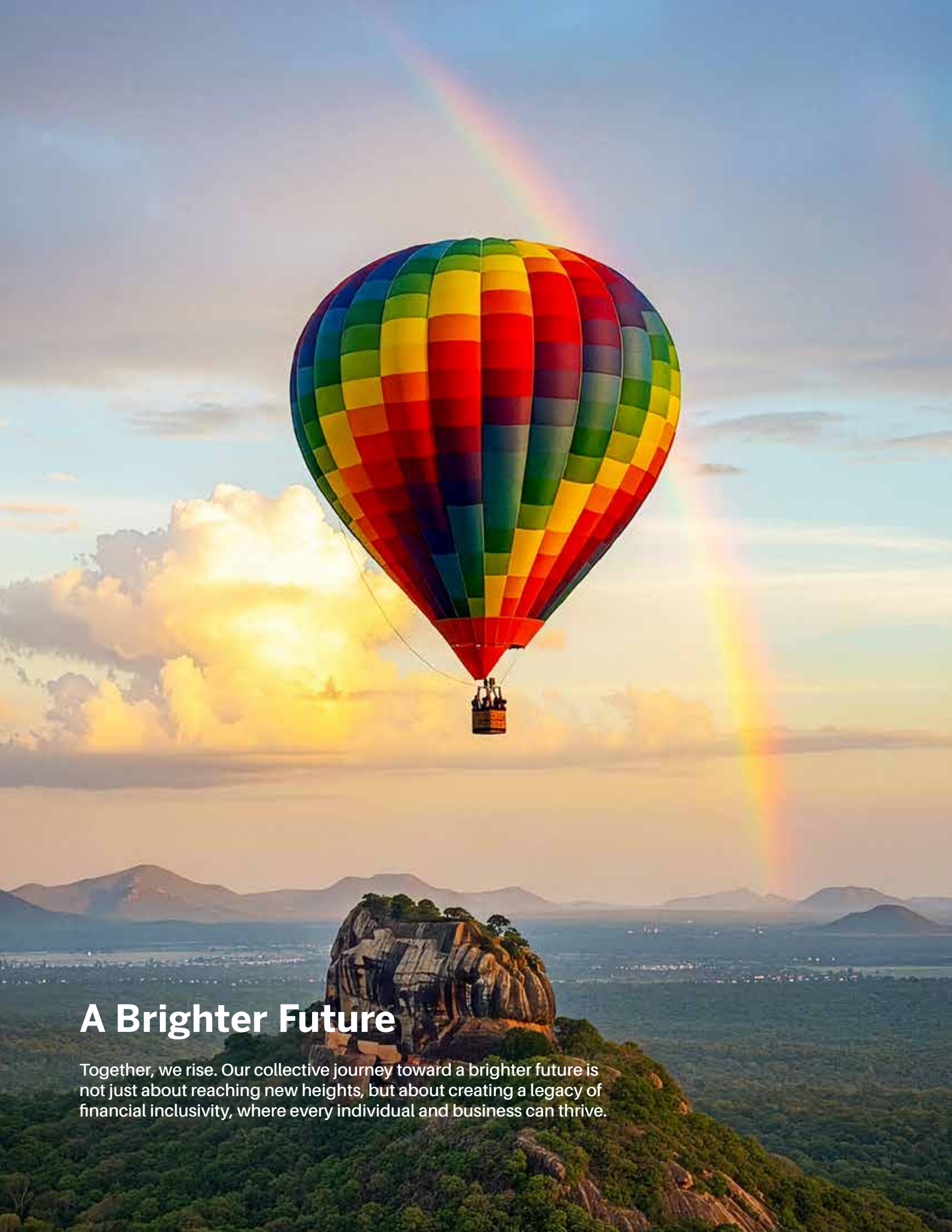
The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes yet have been made in the objectives, policies and processes from the previous years, however, it is under constant scrutiny of the Board.

49.1 Capital Adequacy Ratio (CAR)

Central Bank of Sri Lanka introduced Finance Business Act Direction No 03 of 2018 with effect from 1st July 2018 and accordingly the Licensed Finance Companies in Sri Lanka need to maintain a minimum Tier 1 Capital and Total Capital Ratios (CAR) as shown in table below.

	31-December-2025		31-December-2024	
	Required Ratio	Actual Ratio	Required Ratio	Actual Ratio
Tier 1 Capital	8.50	9.00	8.50	11.97
Total Capital	12.50	13.24	12.50	14.45



A Brighter Future

Together, we rise. Our collective journey toward a brighter future is not just about reaching new heights, but about creating a legacy of financial inclusivity, where every individual and business can thrive.

QUARTERLY ANALYSIS

Statement of Profit or Loss For the quarter ended	2025			
	31st December	30th September	30th June	31st March
Net interest income	820,440	790,712	698,231	660,167
Net fee and commission income	29,014	42,379	36,542	31,863
Net gain/(loss) on financial instruments at fair value through profit or loss	(17,628)	39,237	(123,982)	(378,010)
Other operating income	56,184	128,618	23,944	25,097
Total operating income	888,036	1,000,946	927,331	720,553
Less : Impairment charges from loans and other losses	(89,141)	(11,242)	(133,521)	40,743
Net operating income	977,177	1,012,188	1,060,852	679,810
Less : Total operating expense	702,825	709,931	720,603	650,513
Profit/(loss) from operations	274,352	302,257	340,249	29,297
Less : Impairment charge/(Reversal) from investment in Group Companies	29,693		-	-
Profit/(loss) from operations after impairment from subsidiary investments	244,659	302,257	340,249	29,297
Less : Taxes on financial services	91,440	91,667	107,798	61,942
Social security contribution levy (SSCL)	14,230	13,438	15,652	9,338
Profit before income tax	138,989	197,152	216,799	(41,983)
Less : Income tax expense/(Reversal)	75,501	66,568	97,379	5,987
Profit/(loss) for the period	63,488	130,584	119,420	(47,970)
Statement of Comprehensive Income				
Other comprehensive income for the period, net of tax	(26,351)	9,254	3,750	-
Total comprehensive income for the period, net of tax	37,137	139,838	123,170	(47,970)

Statement of Financial Position As at	2025			
	31st December	30th September	30th June	31st March
Total assets	54,387,795	50,270,957	45,201,212	39,629,234
Loans & receivables at amortised cost	39,585,583	36,566,791	32,165,865	28,674,197
Due to customers at amortised cost	31,792,758	31,989,572	28,937,263	28,378,432
Total equity	4,134,206	4,097,069	3,957,232	3,834,061

Regulatory Liquidity as at	2025			
	31st December	30th September	30th June	31st March
Required minimum amount of liquid assets	3,696,294	3,760,769	3,301,274	3,375,687
Available total liquid assets	4,472,363	8,299,112	4,746,901	9,228,839
Statutory liquid asset ratio	12.34%	22.61%	14.73%	27.92%

2024				2023			
31st December	30th September	30th June	31st March	31st December	30th September	30th June	31st March
676,360	606,558	457,443	446,429	476,831.00	465,033.00	367,803.00	330,798.00
37,977	77,149	26,627	26,795	29,570.00	26,741.00	11,774.00	38,451.00
641,136	(158,788)	(217,429)	236,214	50,598.00	398,941.00	98,864.00	10,820.00
27,278	39,554	404,780	186,641	84,469.00	100,135.00	27,085.00	12,503.00
1,382,751	564,473	676,276	894,793	642,459.00	995,438.00	505,677.00	399,060.00
(51,241)	54,759	(116,723)	48,324	(43,599.00)	(78,274.00)	36,861.00	59,918.00
1,433,992	509,714	792,999	846,469	686,058.00	1,073,712.00	468,816.00	339,142.00
829,701	625,066	663,332	621,945	619,185.00	565,135.00	546,722.00	571,103.00
604,291	(115,352)	129,667	224,524	66,873.00	508,577.00	(77,906.00)	(231,961.00)
52,007	(47,571)	-	-	(95,065.00)	-	-	-
552,284	(67,781)	129,667	224,524	161,938.00	508,577.00	(77,906.00)	(231,961.00)
139,518	42,351	72,764	88,006	79,450.00	127,334.00	34,483.00	14,468.00
19,925	6,903	10,702	12,618	11,233.00	17,467.00	5,679.00	2,140.00
392,841	(117,035)	46,201	123,900	71,255.00	363,776.00	(118,068.00)	(248,569.00)
131,220	(37,908)	31,454	80,688	(4,763.00)	146,542.00	(18,836.00)	(75,951.00)
261,621	(79,127)	14,747	43,212	76,018.00	217,234.00	(99,232.00)	(172,618.00)
(28,094)	1,328	(2,328)	-	(45,728.00)	(32.00)	-	-
236,637	(77,799)	12,419	43,213	30,290.00	217,202.00	(99,232.00)	(172,618.00)

2024				2023			
31st December	30th September	30th June	31st March	31st December	30th September	30th June	31st March
40,200,008.00	38,778,645.00	36,593,149.00	34,803,736.00	33,699,530.00	34,104,181.00	29,317,954.00	29,492,946.00
25,942,008.00	22,506,940.00	20,437,545.00	19,623,404.00	19,054,715.00	19,654,433.00	20,293,279.00	21,889,517.00
25,956,175.00	25,677,128.00	25,551,164.00	26,297,140.00	25,444,119.00	24,863,377.00	22,319,701.00	23,724,910.00
3,885,142.00	3,648,505.00	3,726,303.00	3,713,884.00	3,671,187.00	3,640,895.00	3,423,694.00	3,522,926.00

2024				2023			
31st December	30th September	30th June	31st March	31st December	30th September	30th June	31st March
3,172,545.00	3,160,850.00	2,997,646.00	2,908,150.00	2,859,509.00	2,881,380.00	2,405,852.00	2,479,883.00
9,697,514.00	4,173,193.00	3,297,932.00	3,462,031.00	3,257,794.00	3,530,673.00	3,084,491.00	3,697,985.00
31.19%	13.50%	11.23%	12.12%	11.59%	12.44%	13.04%	15.15%

SHAREHOLDER INFORMATION

Public Holdings

	2025		2024	
	No. of shares	% of holding	No. of shares	% of holding
Shares held by the public	81,295,572	15.50%	81,295,572	15.50%
No. of public shareholders	11,597	99.97%	10,861	99.97%

	2025	
	No. of shares	% of holding
residents	523,936,940	99.89%
foreign	602,697	0.11%

Distribution of Ordinary Shares

	As at 31 December 2025				As at 31 December 2024			
	No. of shareholders	No. of shareholders %	No. of shares	No. of shares % (limit two decimal points)	No. of shareholders	No. of shareholders % (limit two decimal points)	No. of shares	No. of shares % (limit two decimal points)
1 to 1,000	9,144	78.83%	1,536,328	0.29%	8,852	81.48%	1,466,456	0.28%
1,001 to 10,000	1,713	14.77%	6,598,303	1.26%	1,427	13.14%	5,132,306	0.98%
10,001 to 100,000	624	5.38%	20,453,892	3.90%	473	4.35%	16,844,165	3.21%
100,001 to 1,000,000	110	0.95%	29,287,920	5.58%	102	0.94%	26,793,392	5.11%
over 1,000,000	9	0.08%	466,663,194	88.97%	10	0.09%	474,303,318	90.42%
Total	11,600	100.00%	524,539,637	100.00%	10,864	100.00%	524,539,637	100.00%

Composition of Ordinary shareholders

	As at 31 December 2025				As at 31 December 2024			
	No. of shareholders	No. of shareholders %	No. of shares	No. of shares % (limit two decimal points)	No. of shareholders	No. of shareholders % (limit two decimal points)	No. of shares	No. of shares % (limit two decimal points)
Resident-Individual	10,663	91.92%	50,890,061	9.70%	9,932	91.42%	47,443,125	9.04%
- company	897	7.73%	473,046,879	90.18%	891	8.20%	476,635,784	90.87%
Non Resident-Individual	39	0.34%	589,047	0.11%	40	0.37%	447,078	0.09%
- company	1	0.01%	13,650	0.00%	1	0.01%	13,650	0.00%
Total	11,600	100.00%	524,539,637	100.00%	10,864	100.00%	524,539,637	100.00%

Directors' Shareholding

Names of Directors	No. of shares 31.12.2025	As a % of total shares	No. of shares 31.12.2024	As a % of total shares
Mr. Adikarige Mervin Anura Perera	-	-	-	-
Mr. Godakanda Arachchige Jayashantha	-	-	-	-
Mr. Rajapaksha Mudiyansele Nadira Jeewantha	-	-	-	-
Mr. Hithanadura Priyal Kithsiri Silva	-	-	-	-
Ms. Rasa Dulani Fernando	-	-	-	-
Mr. Ahamed Jehaan Ismail (appointed w.e.f. 30.01.2025)	-	-	-	-
Mr. Rajapakse Lekamlage Subhash Annuruddha Rajapakse (appointed w.e.f. 30.05.2025)	-	-	-	-
Mr. Herath Mudiyansele Priyantha Bandara Herath (appointed w.e.f. 14.10.2025)	-	-	-	-

CEO's Shareholding

Names of Directors	No. of shares 31.12.2025	As a % of total shares	No. of shares 31.12.2024	As a % of total shares
Mr. Hapuhinne Karunadipathi Divaratne Wasala Mudiyansele Dammika Kumara Hapuhinna	-	-	-	-

Twenty Largest Shareholders

	As at 31 December 2025		As at 31 December 2024	
	No of Shares	Percentage holding	No of Shares	Percentage holding
BANK OF CEYLON NO. 1 ACCOUNT	401,577,367	76.56%	401,577,367	76.56%
BOC PROPERTY DEVELOPMENT & MANAGEMENT (PVT) LTD	41,666,682	7.94%	41,666,682	7.94%
BANK OF CEYLON A/C CEYBANK UNIT TRUST	11,798,960	2.25%	11,798,960	2.25%
MR. A.M. WEERASINGHE	3,227,403	0.62%	3,227,403	0.62%
HATTON NATIONAL BANK PLC/DINESH NAGENDRA SELLAMUTTU	2,907,670	0.55%	5,320,722	1.01%
MR. K.V. HEWAVITARNE	2,035,487	0.39%	-	0
PEOPLE S LEASING AND FINANCE PLC/B.A.D.H.C.MAHIPALA	1,178,375	0.22%	-	0
MR. K.D.N.A. KARUNATHILAKE	1,150,000	0.22%	-	0
MR. B.T. PRATHAPASINGHE	1,121,250	0.21%	1,121,250	0.21%
MR. A.H. MUNASINGHE	1,000,000	0.19%	-	0
SEYLAN BANK PLC/A.P.JAYASINGHE	1,000,000	0.19%	-	0
DFCC BANK PLC A/C NO.02	820,000	0.16%	-	0
PMF FINANCE PLC/R.A. NIRANJANA	785,597	0.15%	-	0
MR. D. RAMACHANDRAN	725,000	0.14%	-	0
PEOPLE'S LEASING & FINANCE PLC/MR. F.B.R.D. SILVA	700,000	0.13%	-	0
MR. H.G.D.R.D.K. JAYAWARDANA	658,285	0.13%	-	0
MS. C.N.M. ANTHONY	608,847	0.12%	-	0
PMF FINANCE PLC/Y.P.S.M. YAPA	600,000	0.11%	160,076	0.09%
DIALOG FINANCE PLC/K.W.J.P.L. PERERA	593,725	0.11%	593,725	0.11%
MR. K.B. ABEYRATNE	526,342	0.10%	-	0
Total of largest shareholders	474,680,990			
Total of other shareholders	49,858,647			
Total of all shareholders	524,539,637			
The Market capitalisation as at 31st December 2025	6,661,653,3890			
The Float adjusted market capitalisation as at 31st December 2025	1,032,453,764			

The Float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.13.1 (i) (b), of the Listing Rules of the Colombo Stock Exchange. In terms of section 7.14 of the listing rule of the Colombo Stock Exchange, upon being transferred to the Diri Savi Borad of the CSE w.e.f. 26th April 2023, the Company is now compliant with the minimum public holding requirement.

The percentage of shares held by the public as at 31st December 2025 - 15.50%

The number of public shareholders as at 31st December 2025 - 11597

	Market Share Information					
	2025	Q4	Q3	Q2	Q1	2024
Share price (Rs.)						
Highest	17.50	17.50	9.30	8.30	7.50	6.60
lowest	5.40	8.50	7.20	5.40	5.60	4.00
Closing	12.70	12.70	8.70	7.70	5.80	6.00
No. of transactions	30,432	14,965	6,019	6,314	3,134	7,884
No. of shares traded (Mn)	211.24	84.16	51.29	43.28	32.51	54.04
Shares traded to total shares (%)	40.27	16.04	9.78	8.25	6.20	10.30
Turnover (Rs. Mn)	2,048	1,076	431	323	219	304.52
MBSL turnover to total market turnover (%)	0.17	0.33	0.10	0.14	0.09	0.06
No. of days traded	238	61	63	58	56	240
Average daily turnover-CSE (Rs. Mn)	5,179.20	5,390	6,955	3,905.90	4,271.46	2,240.15
Market Capitalisation - CSE (MC) (Rs. Bn)	8,068.62	8,068.62	7,752.26	6,437.95	5,606.37	5,695.56
Market Capitalisation - MBSL (MC) (Rs. Bn)	6.66	6.66	4.56	4.04	3.04	3.15
MBSL MC to CSE MC (%)	0.08	0.08	0.06	0.06	0.05	0.06
MBSL market capitalisation ranking	143	143	188	168	177	178
Total issued shares MBSL	525	525	525	525	525	525
Total market turnover (Mn)	1,232,649	328,761	438,144	226,542	239,202	537,635

DECADE AT GLANCE

Statement of Comprehensive Income (Rs'000)	2025	2024	2023
Income	7,904,903	7,582,723	7,478,049
Interest expenses	4,273,983	4,021,096	4,918,658
Net interest income	2,969,550	2,186,790	1,640,465
Operating expenses & provisions	2,702,226	2,675,164	2,276,881
Share of associate company			
Profit/(Loss) before income tax	510,957	445,909	67,907
Income tax on profit (Expense)/ Reversal	(245,436)	(205,455)	(47,019)
Profit/(Loss) for the year	265,522	240,454	20,888

Statement of Financial Position (Rs'000)	2025	2024	2023
Assets			
Cash & cash equivalents including placements	618,703	955,522	1,294,986
Securities under reverse repurchase agreement			
Financial assets designated at FVPL	7,634,038	8,534,914	8,161,368
Financial investments at fair value through other comprehensive income	54	16,554	14,348
Loans & receivable at amortised cost	39,585,583	25,942,008	19,054,715
Financial investment at amortised cost	4,425,177	3,473,969	3,727,940
Investment in associate & subsidiary companies	399,652	429,345	433,780
Property & equipment, intangible assets, investment properties and Real estate stock	1,145,146	528,684	748,000
Other assets	579,442	319,012	263,987
Total assets	54,387,795	40,200,008	33,699,122
Liabilities			
Due to banks	8,327,361	5,735,648	2,599,970
Reverse repurchase agreements	6,562,543	2,408,440	
Due to customers	31,792,758	25,956,175	25,444,119
Debt issued and borrowed funds	1,821,393	730,033	741,030
Other liabilities & deferred taxation	1,749,534	1,487,681	1,243,332
Total liabilities	50,253,589	36,317,977	30,028,450
Net assets	4,134,206	3,882,031	3,670,672
Capital employed			
Stated capital	4,276,448	4,276,448	4,276,448
Retained earnings & reserves	(142,242)	(394,417)	(605,776)

2022	2021	2020	2019	2018	2017	2016	2015
6,542,592	5,971,065	5,188,013	6,839,015	6,549,905	6,402,825	4,888,155	4,216,991
4,695,684	2,675,588	3,532,790	4,331,275	3,752,471	3,708,808	2,709,604	2,133,325
1,755,398	2,850,367	1,417,848	2,201,454	2,442,466	2,448,478	2,028,170	1,939,834
2,242,865	2,133,875	2,518,571	2,401,990	2,140,150	2,465,367	1,945,654	2,119,094
(656,914)	812,728	(1,342,905)	57,194	446,676	228,650	232,897	(35,428)
161,306	(283,684)	234,600	45,390	(265,391)	(127,799)	(154,247)	42,878
(495,608)	529,044	(1,108,305)	102,584	181,285	100,851	78,650	(78,306)

2022	2021	2020	2019	2018	2017	2016	2015
852,406	1,437,540	1,041,852	2,832,888	965,197	1,928,482	520,234	820,923
				1,292,670	1,302,748	265,687	785,965
287,510							
15,863							
24,423,300	28,184,638	26,787,036	29,262,864	30,781,975	29,233,023	27,109,765	23,282,286
4,307,394	2,330,716	2,242,628	2,161,677	1,448,104	2,046,445	3,059,300	2,296,177
338,715	452,488	468,508	925,994	160,360	102,201	158,390	391,281
712,675	843,466	1,348,377	1,490,405	711,918	671,726	470,738	403,918
293,918	1,028,611	470,808	301,288	504,202	360,582	342,640	294,000
31,231,781	34,277,459	32,359,209	36,975,116	35,864,426	35,645,207	31,926,754	28,274,550

2,925,953	4,116,812	5,436,682	7,749,021	5,869,317	123,849	201,635	258,062
				-	437,672	401,820	416,472
23,524,609	22,267,862	21,725,261	22,755,930	20,831,021	21,918,869	18,518,419	15,846,306
69,082	2,381,579	2,568,829	2,466,268	5,331,077	8,818,862	8,722,787	7,883,323
1,016,593	1,342,251	1,160,586	1,396,109	1,308,907	1,112,135	975,578	862,325
27,536,237	30,108,504	30,891,358	34,367,328	33,340,322	32,411,387	28,820,239	25,266,488
3,695,544	4,168,955	1,467,851	2,607,788	2,524,104	3,233,820	3,106,515	3,008,062

4,276,448	4,276,448	2,124,457	2,124,457	2,124,457	2,124,457	2,124,457	2,124,457
(580,904)	(107,493)	(656,606)	483,331	399,647	1,109,363	982,058	883,602

DEBENTURE INFORMATION

Debenture - Market Information

Type	2025							
	Type A 25 MAY	Type B 25 MAY	Type A 23 APR	Type B 23 APR	Type D 23 APR	Type A 22 NOV	Type B 22 NOV	Type C 22 NOV
Tenure	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Issue date	30-May-25	30-May-25	10-Apr-23	10-Apr-23	10-Apr-23	16-Nov-22	16-Nov-22	16-Nov-22
Maturity date	30-May-30	30-May-30	9-Apr-28	9-Apr-28	9-Apr-28	15-Nov-27	15-Nov-27	15-Nov-27
Interest rate	12.50%	11.75%	29.50%	28.00%	24.57%	24.00%	23.50%	One Year Avg T Bill Rate + 300 basis points
Coupon rate (%)	12.50%	11.75%	29.50%	28.00%	0.00%	24.00%	23.50%	
Effective annual yield (%)	12.50%	12.10%	29.50%	29.96%	24.57%	24.00%	24.88%	
Interest rate comparable government security (%) (T bill rate & 5 year bond)	8.45%	8.27%	8.45%	8.27%	9.80%	8.45%	8.27%	7.74%
Frequency of interest payable	Annually	Bi - Annually	Annually	Bi - Annually	At Maturity	Annually	Bi - Annually	Quarterly
Rating	BBB+(lka) : Fitch Rating		BBB: Lanka Rating Agency			BBB: Lanka Rating Agency		
Amount (Rs. Mn)	972.71	27.29	276.66	255.14	91.03	23.99	32.88	10.83
ISIN No.	LK0186D25738	LK0186D25746	LK0186D25084	LK0186D25092	LK0186D25100	LK0186D25001	LK0186D25027	LK0186D25019
Highest								
Lowest								
Closing	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED
Current yield (%)								
YTM (%)								

2024					
Type A 23 APR	Type B 23 APR	Type D 23 APR	Type A 22 NOV	Type B 22 NOV	Type C 22 NOV
5 years	5 years	5 years	5 years	5 years	5 years
10-Apr-23	10-Apr-23	10-Apr-23	16-Nov-22	16-Nov-22	16-Nov-22
9-Apr-28	9-Apr-28	9-Apr-28	15-Nov-27	15-Nov-27	15-Nov-27
29.50%	28.00%	24.57%	24.00%	23.50%	One Year Avg T Bill Rate + 300 basis points
29.50%	28.00%	0.00%	24.00%	23.50%	
29.50%	29.96%	24.57%	24.00%	24.88%	
8.96%	8.77%	10.75%	8.96%	8.77%	8.62%
Annually	Bi - Annually	At Maturity	Annually	Bi - Annually	Quarterly
BBB: Lanka Rating Agency			BBB: Lanka Rating Agency		
276.66	255.14	91.03	23.99	32.88	10.83
LK0186D25084	LK0186D25092	LK0186D25100	LK0186D25001	LK0186D25027	LK0186D25019
	120.00				
	100.00				
HAS NOT BEEN TRADED	120.00	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED
	23.33%				
	21.87%				

BASIS OF RATIO & GLOSSARY

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Assumptions

An actuarial assumption is an entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount.

Asset and Liability Committee (ALCO)

The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Company's forecast and strategic balance sheet allocations.

Associate Company

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Average Weighted Lending Rate (AWLR)

AWLR is based on interest rates of all outstanding rupee loans and advances extended by LCBs.

Average Weighted Deposit Rate (AWDR)

AWDR reflects the movements in interest rates pertaining to all outstanding interest bearing rupee deposits held with LCBs.

B

Bill Discounted

A Promissory Note or Bill of Exchange that has been purchased for less than face value, the difference representing interest on the unexpired term of the bill. At maturity, the holder collects the face value of the bill for its own account.

Basis Point (BP)

One hundred of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

C

Capital Adequacy Ratio

The relationship between capital and risk-weighted asset as prescribed by the Central Bank of Sri Lanka.

Cash Equivalents

Short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Cash Generating Units (CGU)

A cash generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

Collective Impairment Provisions

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Commitments

Credit facilities approved but not yet utilised by the clients as at the reporting date.

Compounded Annual Growth Rate (CAGR)

The rate at which it would have grown if it grew at an even rate compounded annually.

Consolidated Financial Statements

Financial statements of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing on the statement of Financial Position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost Method

This is a method of accounting for an investment whereby the investment is initially recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Cost of Equity

The cost of equity is the return a firm theoretically pays to its equity investors

Cost to Income Ratio

A ratio expressing Company's cost effectiveness which sets operating expenses including Financial Value Added Tax and excluding Loan Loss Provision in relation to total operating income.

$$\frac{\text{Total Operating Cost}}{\text{Total Operating Income}} \times 100$$

Counterparty

The other party (including a bank) with whom a deal is made or closed.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the possibility of a loss due to failure of a borrower to repay full or part of their financial obligation when due.

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximise the current assets on its balance sheet to satisfy its current debt and other payables.

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

D

Debt Equity Ratio

Long-term borrowings divided by shareholder's equity.

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Diluted Earnings Per Share (EPS)

Diluted Earnings Per Share (EPS) measures a Company's Earnings Per Share if all convertible securities were exercised or converted into common stock.

Derivative

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Per Share (DPS) (Rs:)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current years dividend attributable to an ordinary share in issue

Dividend Yield

Dividend per share as a percentage of its market value.

E

Earnings Yield (EY)

The earnings yield refers to the earnings per share for the period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of the Company's earnings per share.

Earnings Per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

$$\frac{\text{Profit / (Loss) Attributable to ordinary shareholders}}{\text{Average Number of Share}}$$

Economic Value Added (EVA)

A measure of productivity that takes into consideration cost of total invested equity.

BASIS OF RATIO & GLOSSARY

Effective Interest Rate (EIR)

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.

Effective Tax Rate

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Employee Turnover (%)

Employee turnover refers to the workers leaving an organisation over a period as a percentage of average employees during the period.

$$\frac{\text{Number of attritions during the year}}{\text{Average number of employees during the year}}$$

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity Risk Premium

An equity risk premium is an excess return earned by an investor when they invest in the stock market over a risk-free rate.

Equity Securities

An equity security is a financial instrument that represents an ownership share in a corporation.

Expected Credit Loss (ECL)

ECLs are probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

F

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Through Profit or Loss

A Financial Assets or Liabilities are recorded at fair value on the Statement of Financial position, with subsequent change in value recognised immediately in the Statement of Profit or Loss.

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Guarantee Contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

G

Gearing

Long term borrowings divided by the total funds available for shareholders.

Global Reporting Initiative (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Group

A group is a parent and all its subsidiaries.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

I **Impaired Loans**

Loans where identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are a provision held as a result of the raising of a charge against profit for the incurred loss.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges are covered by earnings before interest and tax.

$$\frac{\text{Profit Before Interest \& Tax}}{\text{Interest Expenses}}$$

Interest in Suspense

Interest in suspense is to temporarily hold accrued interest from non-performing Assets.

Interest Margin

Net interest income expressed as a percentage of average interest earnings assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates.

Interest Spread

Represents the difference between the average interest rate earned on interest earnings assets and the average interest rate paid on interest-bearing liabilities.

International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

Investment Properties

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than for use or sale.

K **Key Management Personnel (KMP)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L **Lease**

A contract, or part of contract that conveys the right to use as asset (the underline asset) for a period of time in exchange for consideration.

Lending Portfolio

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Lifetime Expected Credit Loss (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with Banks, bills of exchange and Treasury Bills and Bonds.

Liquid Assets Ratio

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan to Value Ratio (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

BASIS OF RATIO & GLOSSARY

Loans and Receivables

Conventional loan assets that are unquoted (originated or acquired).

Loan to Deposit Ratio

Calculate LDR by dividing the Company total amount gross loans by its total amount of deposits without interest and expressing it as a percentage.

$$\frac{\text{Gross Loans}}{\text{Total Deposit with Interest}} \times 100$$

Loss Allowance

The allowance for expected credit losses on financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and the provision for expected credit losses on loan commitments and financial guarantee contracts.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor defaults. It is based on the difference between the contractual cash flows due and those that the lender would receive including any collateral.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

$$\text{Market price per share} \times \text{Number of shares}$$

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Mortgage

A lien on real property used to secure a borrowing.

N

Net Assets Value per Ordinary Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

$$\frac{\text{Total Share Holders Funds}}{\text{Average Number of Share}}$$

Net Interest Income (NII)

The difference between income earned from interest bearing assets and cost incurred on financial instrument / facilities used for funding the interest bearing assets.

Net Interest Margin (NIM - %)

Net interest income expressed as a percentage of average interest earning assets.

$$\frac{\text{Net Interest Income}}{\text{Average Interest Earnings Assets}}$$

Non-Controlling Interest

Equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-Performing Ratio

Total non-performing loans and receivables divided by total loans and receivables.

$$\frac{\text{Total Non- Performing Portfolio}}{\text{Total Loans and Receivables}} \times 100$$

Net Profit

Net profit expressed as a percentage of total income.

Number of Attractions During the Year

Average number of employees during the year

O

Objective Evidence

Information based on facts that can be proved through analysis, measurement, observation and other such means of research.

Of-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Balance Sheet, but which give rise to contingencies and commitments.

Offsetting of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Parent Company

A Parent is an entity which has one or more subsidiaries.

Past Due

A financial asset is past due when a counter party has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)

Market price of an ordinary share divided by earnings per share.

$\frac{\text{Market price per share}}{\text{Earnings per share}}$

Price to Book Value (PBV - Times)

$\frac{\text{Market price per share}}{\text{Net assets per share}}$

Probability of Default (PD)

The Probability that an obligor will default within a one-Year time horizon.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

$\frac{\text{Profit After tax}}{\text{Average Assets}} \times 100$

Return on Equity (ROE)

Profit after tax for the year, less dividends on preference shares, if any, expressed as a percentage of average ordinary shareholders' equity.

$\frac{\text{Profit after tax}}{\text{Average equity}} \times 100$

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Right-of-Use Asset (ROU)

ROU asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Risk Free Rate

The risk-free rate is the theoretical rate of return on an investment with zero risk.

Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of risk mitigants such as collateral, guarantee and credit protection.

Risk Premium

The risk premium is the rate of return on an investment over and above the risk-free or guaranteed rate of return.

Risk Weighted Assets

On statement of Financial Position assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Securitisation

This involves the transfer of income producing assets to a vehicle company that finances the purchase through the issue of debt (usually notes of commercial paper).

Segment Analysis

Analysis of financial information by segments of an entity specifically the different business in which it operates.

Shareholders' Funds

Total of stated capital and reserves.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company.

Sri Lanka Financial Reporting Standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka. They comprise Sri Lanka Accounting Standards (SLFRS & LKAS); and Interpretations adopted by the Council of ICASL (IFRIC and SIC).

BASIS OF RATIO & GLOSSARY

Stress Testing

Stress Testing is used to determine the stability of a given sector/ institution to withstand potential vulnerabilities emanating from certain unlikely but plausible events or movements in macro-financial variables.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise which is known as the parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T

Terminal Growth

The terminal growth rate is the constant rate that a company is expected to grow at forever.

Tier I Capital

Tier I: Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Transaction Costs

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Treasury Bill (T-Bills)

A short term debt instruments issued by the Central Bank of Sri Lanka

Treasury Bonds (T-Bond)

A long term debt securities issued by the Central Bank of Sri Lanka. T-Bonds carry a coupon rate of interest.

U

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

V

Value at Risk (VAR)

A risk management methodology that estimates the potential loss arising from adverse movement in market interest or exchange rates over a defined holding period.

Value Added

Value of wealth created by providing financial and other-related services less the cost of providing such services.

Y

Yield

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

Yield to Maturity

Discount rate at which the present value of future cash flows would equal the security's current price.

CONTACT INFORMATION

Address	Telephone	Fax	Head of Branch	Company Mobile No	E-Mail
Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03	011-4711711		Mr. Saman Pathmadeera AGM - Retail & Branch Operations (Range I & II)	(77) 321-9579	samanp@mbslbank.com
ZONE 1 BRANCHES					
			Mr. B Chaminda Amarasinghe Zonal Manager		chamindaa@mbslbank.com
WATTALA BRANCH					
No. 134, Old Negombo Road, Wattala.	011-4504671 011-2931761		Mr. Samith Jayasekara Branch Manager	(77) 304-7775	Samithj@mbslbank.com
KOTAHENA BRANCH					
No. 29, Kotahena Street, Colombo-13	011 - 2388377		Mr. Wikum Madhushan Perera Branch Manager	(76) 311-5634	wikump@mbslbank.com
KIRIBATHGODA BRANCH					
No. 276/A, Nawajeewana Place Kandy Road Kiribathgoda	011 - 4504678 011 - 4504679		Mr. Romesh Devathanthri Arachchi Branch Manager	(77) 657-3623	romeshd@mbslbank.com
KADAWATHA BRANCH					
No. 136/8, Kandy Road, Kadawatha.	011 - 4504920 011 - 4504921		Mr. Tharanga Bandara Branch Manager	(77) 137-7171	tharangab@mbslbank.com
PANADURA BRANCH					
No. 159/2, Galle Road, Panadura.	038 - 4927941 038 - 4927942	038 - 2236889	Mr.Ranga Peiris Branch Manager	(76) 332-8220	rangap@mbslbank.com
MORATUWA BRANCH					
No. 731, Galle Road, Idama, Moratuwa.	011 - 4504964		Mr. Harith Fernando Branch Manager	(76) 319-4949	harithf@mbslbank.com
HEAD OFFICE BRANCH					
BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03.	011 - 4711782	011 - 4711768	Mr. Chaminda Amarasinghe Zonal Manager - Range 01	(77) 304-7775	chamindaa@mbslbank.com
HORANA BRANCH					
No. 212, Panadura Road, Horana.	034 - 4200101 034 - 4200102	034 - 2262973	Mr. Pathum Dassanayake Branch Manager	(77) 672-0861	pathumd@mbslbank.com
KALUTHARA BRANCH					
No. 426, Galle Road, Kalutara South.	034 - 4200105		Mr.Dimuthu Weerakoon Branch Manager	(77) 663-4898	dimuthuw@mbslbank.com

CONTACT INFORMATION

Address	Telephone	Fax	Head of Branch	Company Mobile No	E-Mail
MATHUGAMA BRANCH					
No.92/4, Agalawatte Road, Matugama	034 - 4947811 034 - 4947812	034 - 2249992	Mr. Shamal Kumara Manager	(76) 719-4629	shamalk@mbslbank.com
ZONE 2 BRANCHES					
			Mr. R M D Shyaman Karunanayaka Zonal Manager	(77) 550-6573	shyamank@mbslbank.com
TISSAMAHARAMA BRANCH					
No.117, Halambagaswala Road, Palliyawatta Junction, Tissamaharama.	047 - 4200107 047 - 4200108		Mr. Anjana Prasanna Manager	(77) 396-6517	anjanapr@mbslbank.com
DENIYAYA BRANCH					
No. 1/153 Hospital Road Deniyaya	041 - 4935173 041 - 4935174		Mr. Chathuranga Vidanapathirana Manager	(77) 324-0137	chathurangav@mbslbank.com
MATARA BRANCH					
No. 344/F,Anagarika Dharmapala Mawatha, Nupe, Matara	041 - 4 650400 041 - 4650420	041 - 2233886	Mr. Dharmendra Niwantha Manager	(77) 324-0887	dharmendraa@mbslbank.com
GALLE BRANCH					
No. 35/37 New Street Galle.	091 - 4 711711 091 - 4 711700	091 - 2234750	Mr. Mahesh Gunawardhana Branch Manager	(77) 377-2864	maheshg@mbslbank.com
AMBALANGODA BRANCH					
No.10 B,Kularathna Road, Ambalangoda	091 - 4943759 091 - 4943765	091 - 2256675	Mr.Lasantha Ranasinghe Manager	(77) 319-9500	lasanthara@mbslbank.com
AMBALANTHOTA BRANCH					
No.133, Main street, Ambalanthota	047 - 4711711 047 - 4711700	047 - 2225610	Mr. Kishan Keerthi Branch Manager	(77) 324-0572	keerthid@mbslbank.com
NUGEGODA BRANCH					
No.196, High Level Road, Nugegoda.	011 - 4504966 011 - 4504967	011 - 2815535	Mr. Dinesh Swarnasiri Branch Manager	(77) 672-0479	dineshsw@mbslbank.com
MAHARAGAMA BRANCH					
No. 232, Laksiri Building, Highlevel Road, Maharagama	011 - 4306096 011 - 4306097	011 - 2745451	Mr. G A D Chanaka Piyumal Actg. Branch Manager	(77) 919-8752	piyumalc@mbslbank.com
KOTTAWA BRANCH					
No. 262/2A, High Level Road, Kottawa.	011 - 4504962 011 - 4504963	011 - 2783389	Mr. Sampath Gunasekera Branch Manager	(77) 672-1537	sampathg@mbslbank.com

Address	Telephone	Fax	Head of Branch	Company Mobile No	E-Mail
MALABE BRANCH					
No. 390 A, Kaduwela Rd, Malabe	011 - 4498505 011 - 4498500 011 - 4498501	011-4498502	Mr. Manoj Udayakumara Zonal Manager	(77) 324-0053	manoj@mbslbank.com
EMBILIPITIYA BRANCH					
No. 79A, New Town Rd, Embilipitiya	047 - 7711711		Mr. Ruchira Sameera Branch Manager	(76) 734-8744	ruchiras@mbslbank.com
RANGE 2					
No. 55, Kings Groove, Rajapihilla Road, Kurunegala	037 - 4711700	037 - 2224215	Mr. Saman Pathmadeera AGM - Retail & Branch Operations (Range I & II)	(77) 321-9579	samanp@mbslbank.com
RANGE 2 OFFICE - KANDY					
No. 284, Katugathota Road, Kandy.	081 - 2202213 081 - 2224820 081 - 4481702		Mr. Saman Pathmadeera AGM - Retail & Branch Operations (Range I & II)	(77) 321-9579	samanp@mbslbank.com
ZONE 3 BRANCHES					
			Mr. Nishantha Dhahanaka Zonal Manager	(77) 324-1323	nishanthad@mbslbank.com
PUTTALAM BRANCH					
No.126/B, Kurunagala Road, Puttalam.	032 - 4928795 032 - 4928796 032 - 2267285		Mr. Neel Kantha Thevarapperuma Branch Manager	(77) 228-1244	neelk@mbslbank.com
DAMBULLA BRANCH					
No. 343/B Matale Road, Dambulla	066 - 4200105 066 - 4200106		Mr. Asanka Senarathne Branch Manager	(77) 898-5689	asankaS@mbslbank.com
VAVUNIYA BRANCH					
No.101/4, Station Road,Vavuniya	024 - 4711711		Mr. Kanesalingam Thusijanathan Branch Manager	(77) 324-1007	thusijanthank@mbslbank.com
NEGOMBO BRANCH					
No. 326/16, Main Street, Negombo	031 - 4200107 031 - 4200108		Mr. Pradeep Kumarage Branch Manager	(77) 672-2479	pradeepk@mbslbank.com
KILINCHCHI BRANCH					
No.30, A9 Road, Karaddippokku, Kilinochchi.	021 - 2280078		Mr. Joseph Samson Varapragasam Branch Manager	(77) 022-7458	josephs@mbslbank.com

CONTACT INFORMATION

Address	Telephone	Fax	Head of Branch	Company Mobile No	E-Mail
HINGURAKGODA BRANCH					
No.15, Govi Mawatha , Hingurakgoda	027 - 4924761 027 - 4924762		Mr. Gayan Wijesinghe Branch Manager	(77) 297-0205	gayanpw@mbslbank.com
WENNAPPUWA BRANCH					
No.177, Samagi Building Kolinjadiya, Wennappuwa.	031 - 4200109 031 - 4200110		Mr. Dimuth Fernando Branch Manager	(77) 449-3980	dimuthf@mbslbank.com
TRINCOMALEE BRANCH					
No. 133,Main Street, Trincomalee	026 - 4924788 026 - 4595151		Mr. Rajith Senevirathna Branch Manager	(76) 642-2524	rajiths@mbslbank.com
KEKIRAWA BRANCH					
No. 24, Yakalla Road, Kekirawa	025 - 4928951 025 - 4928952		Mr. Sampath Wijekoon Branch Manager	(77) 324-0975	sampathw@mbslbank.com
KURUNEGALA BRANCH					
No. 55, Kings Groove Building, Rajapihilla Road, Kurunegala	037 - 4711711	037 - 2224570	Mr. Lakmal Jayathunga Branch Manager	(77) 324-0896	lakmalj@mbslbank.com
KULIYAPITIYA BRANCH					
No.413/1/1 Madampe Road, Kuliyapitiya.	037 - 4941147 (BM) 037 - 4200130 037 - 2281730 037 - 4 937218 (CDMA) 0374 - 200131		Mr. Hoshan Imalka Dasanayaka Branch Manager	(74) 315-9206	imalkad@mbslbank.com
CHILAW BRANCH					
No. 34, Kurunegala Road, Chilaw	032 - 4928790 032 - 4928791		Mr. Nuwan Prasanga Manager	(77) 664-3542	nuwanp@mbslbank.com
JAFFNA BRANCH					
No 233, Stanley Road, Jaffna Jaffna.	021 - 4200141 021 - 4200140		Mr. Velappan Cheddiyar Suthagar Actg. Branch Manager	(77) 349-0744	suthagarc@mbslbank.com
ANURADHAPURA BRANCH					
No. 82, Bank Side, Maithreepala Senanayake Mawatha, Anuradhapura	025 - 2221774 025 - 4580507 025 - 4580508		Mr. Amila W. Mawathawewa Branch Manager	(77) 251-9083	amilaw@mbslbank.com
ZONE 4 BRANCHES					
			Mr. Sumith Sanjaya Zonal Manager	(77) 324-0329	sumiths@mbslbank.com

Address	Telephone	Fax	Head of Branch	Company Mobile No	E-Mail
GAMPAHA BRANCH					
No. 390, Colombo Road, Gampaha.	033 - 4200110 033 - 4200109		Mr. Hasintha Thennakoon Branch Manager	(77) 324-0011	hasinthat@mbslbank.com
KANDY BRANCH - CITY OFFICE					
No.88, "Ceybank House" Dalada Veediya, Kandy.	081 - 2237378 081 - 2237380 081 - 2237379		Mr. Saliya Bandara Branch Manager	(76) 897-7908	saliyab@mbslbank.com
MONARAGALA BRANCH					
No. 123/2/3, Wellaway Road, Monaragala.	055 - 4929361 055 - 4929362		Mr. Prasanna Rathnayaka Branch Manager	(77) 896-8561	prasannar@mbslbank.com
KANDY BRANCH					
No. 284, Katugasthota Road, Kandy.	081 - 2224818 081 - 2224819 081 - 4951786 081 - 4951787		Mr. Asanka Weerasinghe Branch Manager	(77) 324-1168	asankaw@mbslbank.com
RATNAPURA BRANCH					
No. 232A, Colombo Road, Ratnapura	045 - 4928089 045 - 4928093		Mr. Harsha Pradeep Wimalarathna Branch Manager	(77) 324-1108	harshaw@mbslbank.com
BANDARAWELA BRANCH					
No.11, Badulla Road, Thanthiriya, Bandarawela	057 - 4926910		Mr. Chandana Rathnayake Branch Manager	(77) 324-0335	rohanr@mbslbank.com
HATTON BRANCH					
No. 36, Circular Road, Hatton	051 - 4924641 051 - 4924642		Mr. L H N Janaka Udayanath Wijethunga Branch Manager	(77) 670-4323	janakau@mbslbank.com
BATTICALOA BRANCH					
No.32, Bar Road, Arasady, Batticaloa	065 - 4926787 065 - 4926799		Mr. S. Uganthan Branch Manager	(77) 696-0228	uganthans@mbslbank.com
NITTAMBUWA BRANCH					
No. 48/3, Kandy Road, Nittambuwa.	033 - 4937564 033 - 4937565		Mr. Kanchana Costa Branch Manager	(74) 093-4308	kanchanag@mbslbank.com
AMPARA BRANCH					
No. 6, D S Senanayake Street, Ampara	063 - 4923540 063 - 4923541		Mr. Priyantha Lakmal Branch Manager	(77) 448-5019	priyanthag@mbslbank.com
AVISSAWELLA BRANCH					
No. 89 /1/1, Ratnapura Road, Avissawella	036 - 4928208 036 - 4928209		Mr. Amal Geekiyanage Branch Manager	(77) 324-0384	amals@mbslbank.com

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Forth (44th) Annual General Meeting of Merchant Bank of Sri Lanka & Finance PLC (MBSL) will be held at The Grand Maitland, Maitland Place, Colombo 07 on 12th June 2026 at 10.00 a.m for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 December 2025 together with the Report of the Auditors thereon.
2. To re-elect Mr. G A Jayashantha who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL
3. To re-elect Ms. R Dulani Fernando who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.
4. To elect Mr. R L S A Rajapakse who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
5. To elect Mr. H M P B Herath who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
6. To authorise the Directors to determine donations for the financial year ending 31.12.2026.
7. To consider any other business of which due notice has been given.

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, the Auditor General or any person authorised by the Auditor General shall carry out the audit of MBSL.

By Order of the Board

MERCHANT BANK OF SRI LANKA & FINANCE PLC



Nadeeka Jayawickrama

Company Secretary

30th April 2026

Colombo

NOTES:

1. A Form of Proxy is attached hereto, for use if necessary, in which event, it should be completed and returned to the Registered Office of the Company – BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
2. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a Shareholder of the Company.
3. The instrument appointing a Proxy may be in writing under the hand of the appointor or of his/her Attorney, or if such appointor is a corporation under its Common Seal or under the hand of its Attorney or duly authorised person.

FORM OF PROXY

I/We.....

of.....

being a shareholder/ shareholders of the Merchant Bank of Sri Lanka & Finance PLC (MBSL), hereby appoint

(Name).....of (Address)

..... whom failing (Mr. A M A Perera/ Ms. R Dulani Fernando/ Mr. A J Ismail/ Mr. G A Jayashantha/ Mr. R M N Jeewantha/ Mr. H P K Silva/ Mr. R L S A Rajapakse/Mr. H M P B Herath) as *my/our Proxy, to represent * me/us, and*.....to vote on *my/our behalf at the Annual General Meeting of the Company to be held at The Grand Maitland, Maitland Place, Colombo 07 on 12th June 2026 at 10.00 a.m or at any adjournment thereof and at every poll which may be taken in consequence thereof. *I/We the undersigned hereby authorise my/our Proxy to vote on *my/our behalf in accordance with the preference indicated below:

		For	Against	Abstain
1.	To receive and consider the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 December 2025 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Mr. G A Jayashantha who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect Ms. R Dulani Fernando who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	To elect Mr. R L S A Rajapakse who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	To elect Mr. H M P B Herath who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	To authorise the Directors to determine donations for the financial year ending 31.12.2026.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, the Auditor General or any person authorised by the Auditor General shall carry out the audit of MBSL.

Signed this.....day of.....Two Thousand and Twenty Six.

.....
Signature

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. To be valid, this form of proxy must be deposited at the Registered Office of MBSL at BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 3 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
2. Kindly perfect the form of proxy after filling legibly your full name and address by signing in the space provided and filling the date of signature.
3. Please indicate your preference with "X" in the appropriate cages provided in the form of proxy, as to how your proxy is to vote on the resolutions. If no indication is given the proxy in he / she may vote as he / she thinks fit.
4. The instrument appointing a proxy may be in writing under the hand of the appointor or of his/her Attorney, duly authorised in writing, or if such appointor is a corporation under its Common Seal or under the hand of its Attorney or duly authorised person. If the form of proxy is signed by an Attorney, a notarial certified copy of the relevant Power of Attorney should also accompany the completed form of proxy, if it has not already been registered with the Company.

Corporate Information

Name of Company

Merchant Bank of Sri Lanka & Finance PLC
(Formerly known as 'Merchant Bank of Sri Lanka PLC')

Company Registration No

PQ10

Legal Form

A limited liability company incorporated on 4th March 1982 under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007 on 4th May 2007 and quoted on the Colombo Stock Exchange.

A Registered Finance Leasing Company under the Finance Leasing Act No. 56 of 2000.

A Registered Finance Company licensed under the Finance Business Act No. 42 of 2011.

Stock Exchange Listing

Listed on the Colombo Stock Exchange on 25th April 1991.

In terms of the section 7.14 of the Listing Rule of the Colombo Stock Exchange, the Company was transferred to the Diri Savi Board of the CSE w.e.f. 26th April 2023.

Registered Office

Bank of Ceylon Merchant Tower,
No. 28, St. Michael's Road, Colombo 03
Tel. 011 4711711
Fax. 011 4711742
web. www.mbslbank.com

Tax Payer Identification No.

124011426

VAT Registration No.

124011426-7000

Central Bank registration No.

050

Financial Year End

31st December

Website

www.mbslbank.com

Board of Directors:

Mr. A M A Perera
(Chairman/ Non-Independent Non-Executive Director)

Ms. R Dulani Fernando
(Senior Director/ Independent Non-Executive Director)

Mr. G A Jayashantha (Non-Independent Non-Executive Director)

Mr. R M N Jeewantha (Non-Independent Non-Executive Director)

Mr. H P K Silva (Non-Independent Non-Executive Director)

Mr. A J Ismail (Non-Independent Non-Executive Director)

Mr. R L S A Rajapakse (Independent Non-Executive Director)

Mr. H M P B Herath (Independent Non-Executive Director)

Board Sub Committees

Board Audit Committee
Board Integrated Risk Management Committee
Related Party Transactions Review Committee
Human Resources & Remuneration Committee
Nominations & Governance Committee
Information & Communications Technology Committee

Chief Executive Officer:

Mr. Dammika Hapuhinna
Tel: 011 4711700
Fax: 011 4711704
E-mail: dammikah@mbslbank.com

Company Secretary

Ms. Nadeeka Jayawickrama
Tel: 011 4711708
E-mail : nadeekaj@mbslbank.com

Subsidiary Company

MBSL Insurance Company Limited
No. 519, T B Jayah Mawatha,
Colombo - 10
Tel : 0112 304500
Fax: 0112 300499
E-mail : info@mbslinsurance.lk
Web : www.mbslinsurance.lk

Associate Company

Lanka Securities (Pvt.) Ltd
No. 228/1, Galle Road
Colombo 04
Tel : 011 4706757
Fax: 011 4706767
E-mail: info@lankasec.com
Web : www.lankasecurities.com

Auditors

The Auditor General

Lawyers

Julius & Creasy
Attorneys-at-Law, Solicitors & Notaries Public
No. 371, R A De Mel Mawatha
Colombo 03

Principal Banker

Bank of Ceylon



Merchant Bank of Sri Lanka & Finance PLC

Bank of Ceylon Merchant Tower,
No. 28, St. Michael's Road, Colombo 03
Tel. 011 4711711 | Fax. 011 4711742
www.mbslbank.com