

Next Chapter of **GROWTH**

Contents

About Us	2
About this Report	3
Our Journey / Milestones	4
History of RDB	6
RDB Branch Network	10
Financial Highlights	11
STEWARDSHIP	
Chairman's Message	14
Chief Executive Officer's Message	17
Board of Directors	20
Corporate Management	25
Regional General Managers	28
Assistant General Managers/ Head of Divisions	29
MANAGEMENT DISCUSSION AND ANALYSIS	
Financial Review	32
Customer Relationship Review	35
Sustainability and ESG Progress Review	40
Information Technology Review	42
Marketing Review	44
Society and Environmental Review	46
Human Capital Review	49
Special Events	52
Risk Management Statement	53
CORPORATE GOVERNANCE	
Corporate Governance	70
Annual Report of the Board of Directors	105
Report of the Board Audit Committee	109
Board Human Resources and Remuneration Committee (BHRRC) and Board Nomination and Governance Committee (BNGC) Report	111
Report of the Board Integrated Risk Management Committee	113

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	116
Auditor General's Report on the Statement of Internal Control	117
Director's Statement on Internal Control over Financial Reporting	119
Directors' Responsibility for Financial Reporting	120
FINANCIAL REPORT	
Auditor General's Report	122
Statement of Profit or Loss	127
Statement of Comprehensive Income	128
Statement of Financial Position	129
Statement of Changes In Equity	130
Statement of Cash Flows	131
Notes to the Financial Statements	133
SUPPLEMENTARY INFORMATION	
Ten Years Summary	210
Investor Information	214
Notes	215
Corporate Information	IBC



Next Chapter of GROWTH

For four decades, Regional Development Bank has been a steadfast pillar of grassroots empowerment in Sri Lanka nurturing livelihoods, enabling enterprise, and fostering financial inclusion where it matters most. Our journey has been shaped by a deep-rooted purpose: to uplift communities, strengthen local economies, and bring opportunity within reach for every Sri Lankan.

The world around us is evolving digitally, economically, and socially. Customer expectations are shifting, financial ecosystems are becoming more interconnected, and the need for inclusive, sustainable growth has never been more urgent. In this changing landscape, Regional Development Bank is embracing a new chapter of progress by aligning our strategies with national priorities supporting economic revival, sustainability, and inclusive development.

Growth, for us, is not measured by scale alone. It is measured by the lives we uplift, the communities we strengthen, and the opportunities we create. From a bank that once laid the foundations for regional progress, we are evolving into a catalyst for a more connected, inclusive, and resilient future.

ABOUT US

The origins of Pradeshiya Sanwardana Bank, formerly known as the Regional Development Bank (RDB), date back to 1985, when district-level banks were established under the Regional Rural Development Banks Act No. 15 of 1985 as Regional Rural Development Banks. These banks were created with the objective of strengthening rural economies by improving access to financial services at the grassroots level.

In 1997, pursuant to the Regional Development Banks Act No. 06 of 1997, seventeen Regional Rural Development Banks were amalgamated into six Provincial Development Banks: Rajarata, Ruhuna, Wayamba, Kandurata, Uva, and Sabaragamuwa Development Banks. This consolidation marked an important step toward enhancing operational efficiency and expanding regional outreach.

Subsequently, with the enactment of the Pradeshiya Sanwardana Bank Act No. 41 of 2008, these six provincial banks were merged into a single national entity Pradeshiya Sanwardana Bank (RDB) with effect from 1 May 2010. The long-term objective of this transformation was to improve the living standards of rural communities by providing accessible and affordable financial services, thereby contributing to the upliftment of the rural economy.

Founded on the “barefoot banking” concept, the Bank remains committed to delivering innovative, simple, and effective financial solutions, primarily through deposit mobilization and lending, to individuals at the middle and lower tiers of the income pyramid. It places particular emphasis on empowering customers engaged in micro, small, and medium-scale enterprises, women entrepreneurs, and those involved in agriculture, livestock, fisheries, and other small industries sectors that collectively contribute significantly to national economic development.

In addition, the Bank actively promotes a culture of savings among rural communities by offering attractive returns on savings accounts and fixed deposits, while encouraging school children and minors to develop prudent financial habits from an early age.



Our Vision

To be the Trusted Development Financing Partner to the Nation



Our Mission

To provide financial and affiliated services to enterprises and entrepreneurs whilst promoting inclusive development



<https://www.rdb.lk/>



ABOUT THIS REPORT



We are pleased to present the Annual Report 2025 of Regional Development Bank (referred to as RDB Bank), offering a transparent and holistic view of our performance for the year ended 31 December 2025. This report captures how we created value for our stakeholders by aligning our strategic priorities with our operating environment, governance framework, and sustainability ambitions.

Our Approach

At RDB Bank, integrated reporting is a core part of how we communicate our performance, strategy, and value creation. We strive to present a balanced view of how financial and non-financial resources are managed to deliver sustainable outcomes.

Our Annual Report provides our stakeholders with a holistic perspective of how we utilise, transform, and grow our resources to create value over the short, medium, and long term.

Scope and Boundary

This report covers the financial and non-financial performance of RDB Bank from 1 January 2025 to 31 December 2025, in line with our annual reporting cycle. It provides information on our position at year-end, with no significant changes in scope, boundary, or restatements from the previous year.

Our aim is to present a balanced account that supports informed decision-making and fosters stakeholder trust.

Regional Development Bank

A N N U A L R E P O R T 2 0 2 5

This Annual Report is available as:



Materiality

We have applied the principle of materiality to identify topics most relevant to our stakeholders and our long-term value creation. These material matters reflect both internal priorities and external factors influencing our operations, helping strengthen our sustainability framework.

Reporting Frameworks

The report is prepared in accordance with globally recognised and local reporting guidelines, including:

Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Banking Act Directions No 5 of 2024 on Corporate Governance for Licensed Banks in Sri Lanka issued by CBSL.

Independent Assurance

Our Financial Statements and related disclosures have been audited by the Auditor General's Department and appears on pages 122-208.

Forward-Looking Statements

This report contains statements about our future strategic direction and performance outlook. Actual results may differ due to economic, regulatory, and operational uncertainties.

Pg 13	Leadership Messages
Pg 31	Management Discussion and Analysis
Pg 53	Risk Management
Pg 121	Financial Statements

Feedback and Queries

We value stakeholder feedback on this report. Please contact:

Chief Financial Officer,
RDB Bank,
No 933, Kandy Road, Wedamulla,
Kelaniya



<https://www.rdb.lk>

OUR JOURNEY / MILESTONES

THE STORY OF TRIUMPH AFTER MERGING SIX PROVINCIAL DEVELOPMENT BANKS AS ONE NATIONAL LEVEL DEVELOPMENT BANK

Results achieved by Provincial Development Banks (ie. Rajarata, Ruhuna, Wayamba, Kandurata, Uva and Sabaragamuwa Development Banks) during the twenty four years period from 1985 to 2009, have drastically improved, during the fifteen + years period (2010-2025) after establishing Regional Development Bank (RDB) in 2010 merging all previous provincial development banks.

FROM MAY 2010 TO DECEMBER 2025

Total Deposit of RDB has increased by
**LKR 251 Bn from
LKR 32,350 Mn to
LKR 283,715 Mn**

Total Loans and Advances of RDB has increased by
**LKR 272 Bn from
LKR 30,311 Mn to
LKR 302,539 Mn**

Total Asset of RDB has increased by
**LKR 321 Bn from
LKR 41,018 Mn to
LKR 362,175 Mn**



Total Assets Growth

783%

From LKR 41 Bn to LKR 362 Bn



Total Deposit Growth

784%

From LKR 32 Bn to LKR 283 Bn



Total Loans and Advances Growth

906%

From LKR 30 Bn to LKR 302 Bn



Operating Profit Growth

2,416%

From LKR 0.37 Bn to LKR 9.31 Bn



Total Equity Growth

600%

From LKR 3 Bn to LKR 21 Bn

LankaPay Technnovation Awards 2025

The Regional Development Bank was honoured with the Merit Award for Best LankaPay Card Issuer of the Year and the Merit Award for Best Common ATM Enabler of the Year – Category C at the LankaPay Technnovation Awards 2025, organized by LankaPay (Pvt) Ltd.

The awards ceremony was held on 26th March 2025 at the Grand Ballroom of the Shangri-La Colombo. These accolades reflect RDB's continued commitment to innovation, technological advancement, and excellence in delivering secure and efficient digital payment solutions to its customers.



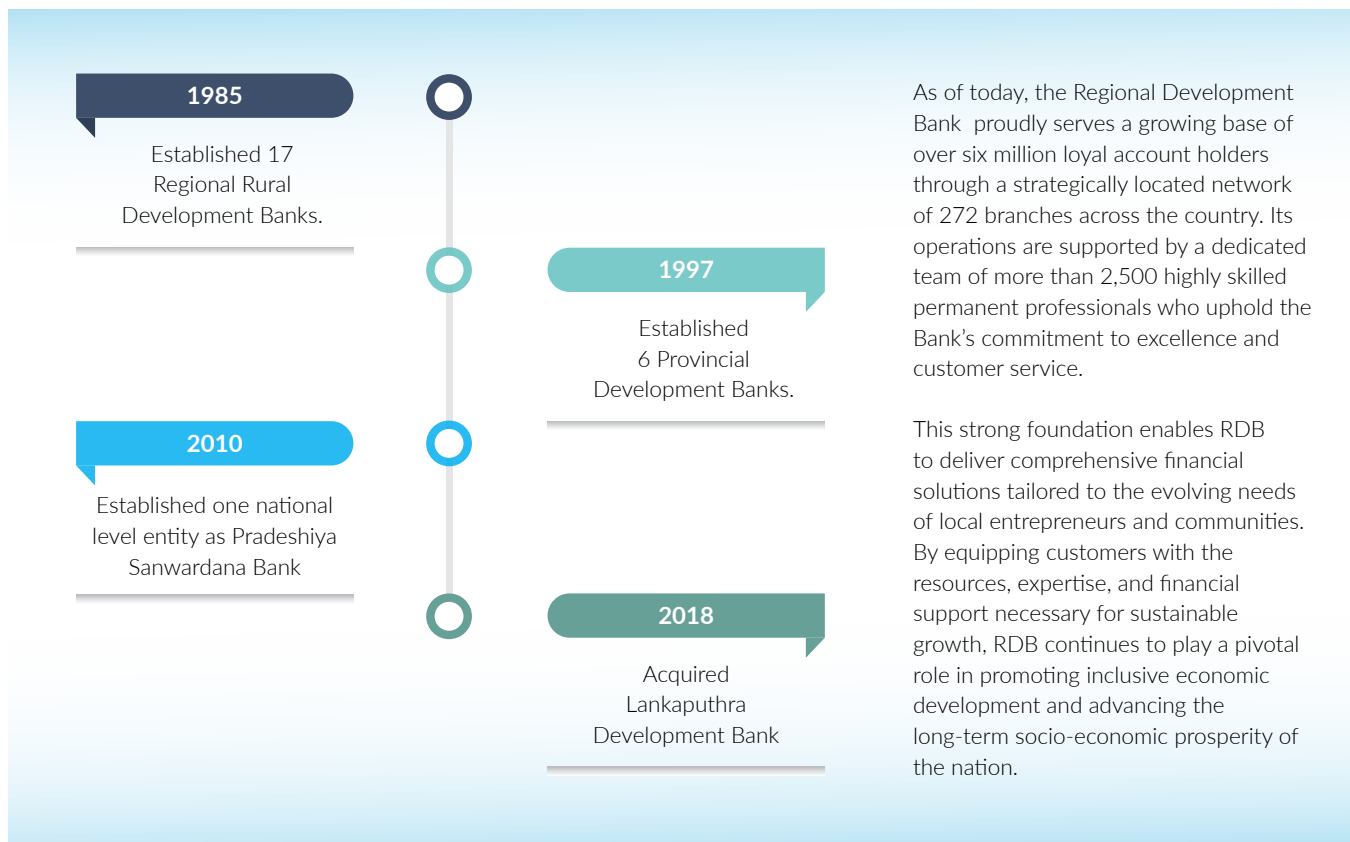
RDB Strengthens Cyber Security with ISO/IEC 27001:2022 Certification

The Regional Development Bank has successfully attained ISO/IEC 27001:2022 certification, the internationally recognized standard for Information Security Management Systems (ISMS).

This achievement underscores the Bank's strong commitment to maintaining the highest standards of information security, risk management, and data protection, while ensuring the confidentiality, integrity, and availability of information assets across its operations.



HISTORY OF RDB



Supportive Services to Our Customers

Western Union with NDB

Money transfers through Western Union (WU) provide a fast, convenient, and secure method of remitting funds from overseas to Sri Lanka. Customers can receive their transfers seamlessly through any branch of the Regional Development Bank, which maintains an extensive network across rural and semi-urban areas

Lanka Money Transfer (LMT) with DFCC

Lanka Money Transfer enables funds to be remitted directly and instantly to customers' bank accounts with uninterrupted service. With an extensive international network comprising over 275 locations, the service ensures fast, reliable, and efficient money transfers from abroad.

This facility is available across all 272 branches of the Regional Development Bank island-wide, providing customers with convenient access to secure and seamless remittance services.

Common Electronic Fund Transfer Switch (CEFTS)

CEFTS enables customers to perform domestic interbank fund transfers in real time, offering a fast, secure, and convenient payment solution. This facility allows customers to transfer funds seamlessly between banks at their convenience, enhancing efficiency and supporting a smooth banking experience.

Sri Lanka Interbank Payment System (SLIPS)

SLIPS offers a secure and reliable method for transferring funds within Sri Lanka's local clearing network. This service ensures that customers can move money safely and efficiently between banks, providing a convenient solution for domestic transactions.

Utility Bill Service with Sri Lanka Telecom, Ceylon Electricity Board (CEB), National Water Supply and Drainage Board (NWSDB)

The Regional Development Bank provides a convenient one-stop solution for utility bill payments. Customers can effortlessly settle their electricity, water, and telecommunication bills either at any RDB branch or through the Bank's Door-to-Door Service, ensuring a seamless and time-saving experience.

RDB Door-to-Door Service – Convenient Door Step Banking Service

The Regional Development Bank proudly offers its flagship Door-to-Door Service, establishing itself as the pioneer of doorstep banking in Sri Lanka. This service operates through a dedicated team of service providers who visit business premises and residences daily within the service areas of their respective branches.

The Door-to-Door Service goes beyond simple deposit collection. It enables customers to access loans for development purposes, manage their loan accounts, and make timely repayments of installments and interest all at their convenience. Additionally, utility bill payments can also be settled through this service.

All transactions are conducted using electronic portable handheld devices, ensuring that every transaction is securely and automatically updated in the Bank's system, providing customers with a seamless, efficient, and reliable banking experience.

Seilama.lk

Seilama.lk is a digital platform launched to showcase the products and services of our entrepreneurs online. By connecting buyers, rural farmers, producers, and delivery channels, this platform enables active participation in the country's supply chain, promoting greater market access, visibility, and opportunities for local businesses and producers.

Warehouse Facilities

The Regional Development Bank manages five warehouses located in Upuldeniya, Murunkan, Buttala, Kilinochchi, and Medirigiriya, providing farmers from local villages and surrounding areas with secure storage facilities for their harvests at minimal charges, based on the type of grain. Each warehouse is equipped with modern machinery to assess and ensure the quality of the produce.

Beyond safe storage, RDB supports farmers in marketing their harvests at competitive prices, helping them maximize returns. Additionally, the Bank offers Warehouse Receipt Financing, providing low-interest financial assistance against stored produce, empowering farmers with timely access to working capital while safeguarding their agricultural investments.

RDB Bancassurance

The Regional Development Bank (RDB) enables its customers to access a wide range of insurance products and benefits through its Bancassurance Unit. Customers can choose tailor-made solutions from leading insurance providers, ensuring that their coverage meets individual needs and offers comprehensive financial protection.

RDB Digital Service

The Regional Development Bank commenced ATM operations in 2015 and has since issued over 385,000 VISA and JCB debit cards to its customers. The Bank currently operates 51 ATMs islandwide, along with Smart Centers located in Welioya and Padavi Parakramapura. In line with its 40th anniversary celebrations, RDB plans to launch six Cash Recycling Machines (CRMs) in key urban areas.

Both JCB and VISA debit cards can be used for local purchases, enhancing customer convenience and ensuring a seamless payment experience.

RDB also operates an extensive door-to-door banking service through 500 Business Promotion Assistants (BPAs) across the island. Using a dedicated digital application, these BPAs facilitate over 150,000 daily business visits, bringing banking services directly to customers' doorsteps.

As part of the national digitization initiative, RDB supports over 7,000 Lanka QR merchants islandwide, enabling secure and convenient QR-based payments. Indian and Chinese tourists can also make payments at these merchants using UnionPay and UPI mobile applications.

Furthermore, RDB enables customers to conduct online transactions including fund transfers, bill payments, card payments, and QR payments through JUSTPAY - enabled payment applications, ensuring a comprehensive and modern digital banking experience.



HISTORY OF RDB

Celebrating 40 years of Empowering Rural Enterprise

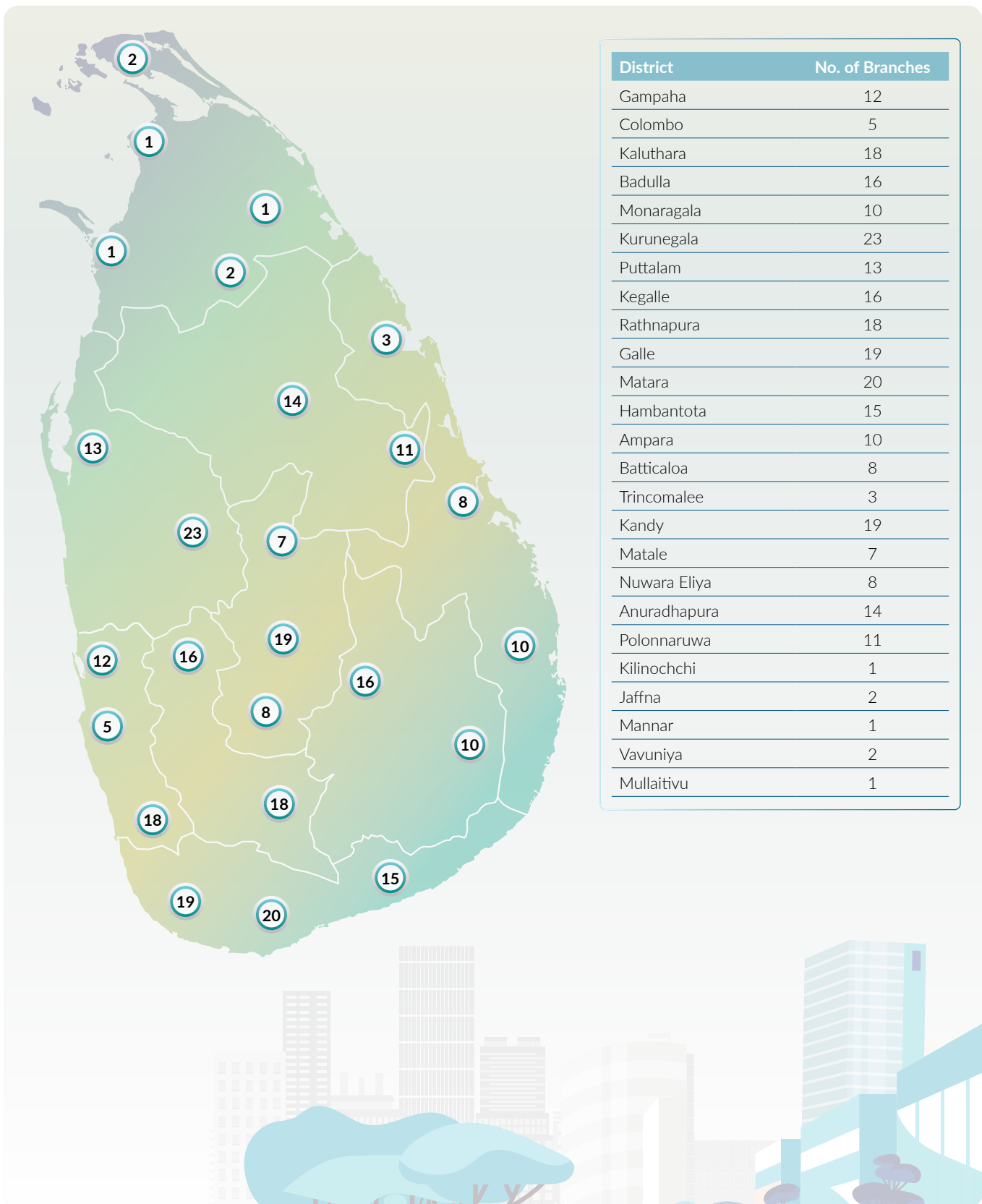
RDB Bank marked its 40th anniversary with a celebration that brought its grassroots impact to life. A special exhibition highlighted the spirit of rural entrepreneurship, showcasing the journeys, innovations, and contributions of small-scale business owners from across the country.

The milestone was further commemorated with the launch of a special stamp by the Philatelic Bureau, at a ceremonial event graced by Prime Minister Harini Amarasuriya, symbolising national recognition of the Bank's enduring role in empowering communities and driving inclusive economic growth.





RDB BRANCH NETWORK



FINANCIAL HIGHLIGHTS

	2025 LKR.000	2024 LKR.000	Change %
Operating Results for the Year			
Gross Income	42,813,921	39,552,223	8.25%
Operating Profit before Taxes	9,316,975	6,188,576	50.55%
Taxation	6,944,703	4,913,127	41.35%
Profit after Tax	2,372,273	1,275,449	86.00%
Profit Attributable to Shareholders	3,549,583	522,422	579.45%

Assets & Liabilities

Customer Deposits	283,715,707	253,664,002	11.85%
Loans & Receivables	302,539,821	244,788,394	23.59%
Total Assets	362,175,745	323,831,355	11.84%
Total Liabilities	340,238,019	305,443,211	11.39%
Shareholders' Fund	21,937,726	18,388,144	19.30%

Income and Profitability

Net Interest Margin (%)	7.06%	6.27%	0.79%
Return on Assets (before Tax) (%)	1.70%	1.03%	0.67%
Return on Equity (%)	11.77%	7.04%	4.73%
Cost to Income Ratio (%)	62.49%	73.98%	-11.49%

Assets Quality

Impaired Loans (Stage 3) to Total Loans Ratio (%)	4.06%	6.25%	-2.19%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	47.87%	41.88%	5.99%

Regulatory Capital Adequacy Ratios

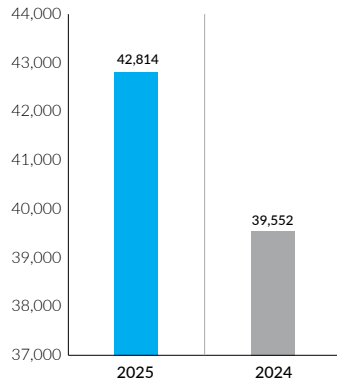
Capital Adequacy Ratio (As Per BASEL III)	2025 (%)	Minimum Requirement	2024 (%)	Minimum Requirement
Common Equity Tier 1 Capital (%)	9.79%	7.0%	9.65%	7.0%
Tier 1 Capital Ratio (%)	9.79%	8.5%	9.65%	8.5%
Total Capital Ratio (%)	14.50%	12.5%	15.65%	12.5%

Regulatory Liquidity Requirement

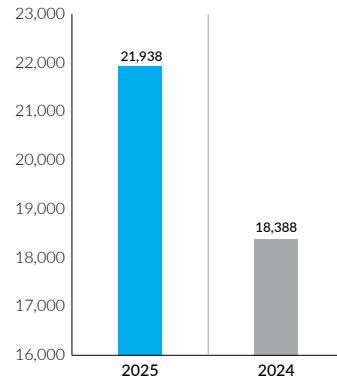
Liquidity Coverage Ratio (%)	2025 (%)	Minimum Requirement	2024 (%)	Minimum Requirement
Rupee (%)	207.00%	100.00%	402.00%	100.00%
All Currency (%)	207.00%	100.00%	402.00%	100.00%
Net Stable Funding Ratio (%)	130.00%	100.00%	152.00%	100.00%

FINANCIAL HIGHLIGHTS

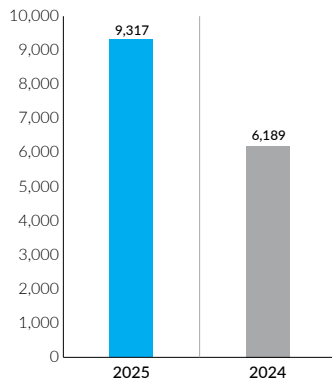
GROSS INCOME (LKR MN)



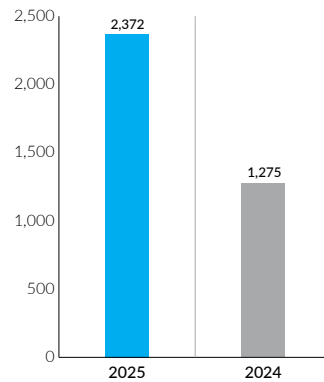
SHAREHOLDERS' FUND (LKR MN)



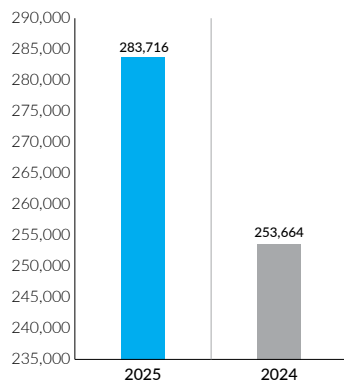
OPERATING PROFIT BEFORE TAXES (LKR MN)



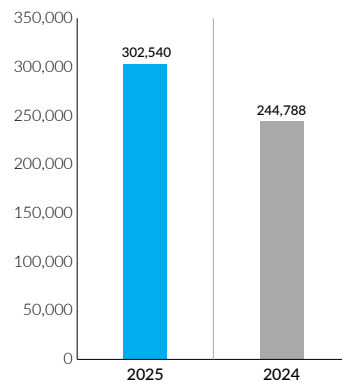
PROFIT AFTER TAX (LKR MN)



CUSTOMER DEPOSITS (LKR MN)



LOANS AND RECEIVABLES (LKR MN)





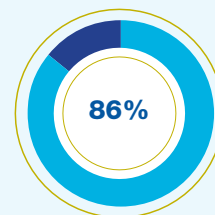
STEWARDSHIP

Chairman's Message	14
Chief Executive Officer's Message	17
Board of Directors	20
Corporate Management	25
Regional General Managers	28
Assistant General Managers/ Head of Divisions	29

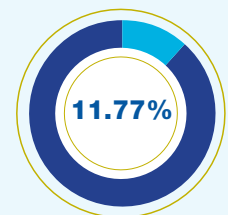
Chairman's Message



“Our ambition is to evolve as a resilient, inclusive, and forward-looking financial institution that not only supports economic growth but actively contributes to shaping a more equitable and sustainable future for Sri Lanka.”



Y-o-Y Increase in
Profit after Tax



Return on
Equity

Dear Stakeholders,

I am pleased to present the Annual Report of Regional Development Bank (RDB Bank) for the financial year ending 31st December 2025.

The year under review marked a defining milestone in the journey of the RDB Bank as it celebrated 40 years of service to the nation. This milestone is not only a reflection of longevity, but more importantly, a testament to sustained relevance, resilience, and purpose-driven banking.

Over four decades, the Bank has evolved in step with Sri Lanka's development journey supporting rural economies, enabling MSMEs, strengthening agricultural value chains, and empowering communities at the grassroots level. This legacy continues to shape our identity as a development-oriented financial institution committed to inclusive progress.

The anniversary provided an opportunity to reflect on this legacy, while also reaffirming our forward-looking commitment to strengthen financial inclusion, expand opportunity, and support national economic transformation.

Operating Context

Sri Lanka continued its path of gradual economic recovery during the year, supported by fiscal consolidation measures, monetary stability, and ongoing structural reforms. These macroeconomic adjustments have contributed to improved stability and restored confidence in key sectors of the economy, particularly MSMEs, agriculture, and community-based enterprises. Easing inflation and a more supportive interest rate environment, alongside strengthening tourism and remittance inflows, have contributed to a gradual revival in economic activity. Continued progress under the International Monetary Fund programme has further reinforced this momentum, signalling discipline, reform, and a clear path toward long-term stability. However, the recovery remains uneven. MSMEs,

At Board level, new appointments further enhanced diversity in experience, skills, and sectoral knowledge.

smallholder farmers, rural entrepreneurs, and informal sector participants continue to face challenges arising from constrained liquidity conditions, cost pressures, and climate-related disruptions.

Within this evolving landscape, the Regional Development Bank remains deeply anchored in its national development mandate. The year also served as a reminder of the challenges faced by our communities, particularly in the wake of extreme weather events such as Cyclone Ditwah. In these moments, our commitment extends beyond banking, standing alongside our customers through timely relief measures, sustained support, and a shared resolve to rebuild livelihoods.

In this context, the Bank's role as a development partner has become even more critical. We have remained firmly committed to ensuring that financial services are not only accessible but also tailored to the realities of underserved segments. Our approach continues to focus on enabling productive economic activity, supporting livelihoods, and strengthening economic resilience at the grassroots level.

Resilient Financial Performance and Disciplined Growth

Against this backdrop, the Bank delivered a resilient financial performance for the year ended 31 December 2025, recording an 86% year-on-year increase in Profit After Tax to LKR 2.37 billion. The Bank's total income reached LKR 42.81 billion, driven by a 23.89% growth in Net Interest Income

to LKR 24.23 billion, complemented by steady contributions from both interest and fee-based income streams. This performance highlights the Bank's ability to optimise its asset base while sustaining a well-diversified and resilient revenue profile.

We recorded healthy growth in revenue and profitability, supported by prudent cost management, disciplined credit practices, and a continued focus on productive lending. Our loan portfolio expanded with a clear emphasis on sectors that generate real economic value.

This performance reflects not only financial strength, but also the Bank's ability to balance growth with stability in an environment that continues to present both opportunities and uncertainties. During the year, the Bank continued to expand and strengthen its physical and service footprint, particularly in underserved and rural areas. This expansion is a critical enabler of financial inclusion and reflects our long-standing commitment to bringing banking services closer to the people.

By deepening our presence at the grassroots level, we are able to better understand local economic realities and design financial solutions that are more responsive, relevant, and impactful. This proximity remains central to our development banking mandate.

The year was also marked by adverse weather conditions, including floods and localized disruptions that affected livelihoods across several regions. These events had a significant impact on agriculture-dependent households, MSMEs, and small businesses. In response, the Bank implemented a range of relief measures in line with regulatory guidance, including loan restructuring options, repayment concessions, and targeted financial assistance. These interventions were designed not only to provide immediate relief but also to support recovery and long-term resilience.

CHAIRMAN'S MESSAGE

Our response reflects a fundamental principle of the Bank that we stand with our customers in times of difficulty, not only as a financial institution, but as a long-term partner in their recovery and growth.

A key strength of the Bank continues to be its highly diversified and granular lending portfolio. Exposure across multiple sectors, geographies, and customer segments provides inherent stability and reduces concentration risk.

This diversification strategy has enabled the Bank to maintain portfolio resilience even in the face of macroeconomic volatility and environmental shocks. It also reinforces our ability to sustain growth while maintaining prudent risk management standards.

Accelerating Digital Transformation and Future Readiness

Technology continues to be a critical enabler of transformation for the Bank. During the year, we made meaningful progress in strengthening our digital and operational infrastructure.

Key initiatives included enhancements to disaster recovery systems, attainment of internationally recognized information security certification, and the implementation of structured data governance frameworks. These steps significantly strengthen our operational resilience and risk management capabilities.

Importantly, the initiation of the core banking system upgrade represents a transformational milestone. This program will enable the Bank to build a modern, scalable, and fully integrated digital banking platform that supports enhanced customer experience, operational efficiency, and product innovation.

Strengthening Leadership, Governance, and Institutional Capability

During the year, the Bank took important steps to further strengthen its leadership and governance framework.

The appointment of a new Chief Executive Officer marked a significant step in enhancing strategic direction and operational focus. This was complemented by strengthened senior management capacity, bringing in fresh perspectives and deepened expertise across key functions.

At Board level, new appointments further enhanced diversity in experience, skills, and sectoral knowledge. These developments collectively reinforce the Bank's commitment to strong governance, transparency, accountability, and ethical conduct principles that remain central to institutional trust and long-term sustainability.

Building on Legacy and Advancing with Purpose

As we move forward, the Regional Development Bank stands at an important inflection point anchored in a 40-year legacy, yet firmly oriented toward the future.

The path ahead requires continued discipline, innovation, and responsiveness. We remain committed to strengthening our institutional foundations, accelerating digital transformation, and deepening our developmental impact across all regions of the country. Our ambition is to evolve as a resilient, inclusive, and forward-looking financial institution that not only supports economic growth but actively contributes to shaping a more equitable and sustainable future for Sri Lanka.

Looking ahead, the Bank remains firmly committed to deepening its engagement with the MSME sector, which continues to be the backbone of Sri Lanka's economy. We will focus on expanding access to affordable finance, strengthening non-financial advisory support, and introducing more tailored and flexible financial solutions. Our objective is not only to finance businesses, but to enable their long-term sustainability and competitiveness.

This strategic direction remains closely aligned with national development priorities, particularly in relation to inclusive growth, rural economic development, and employment generation.

A Note of Appreciation

I extend my sincere appreciation to our valued customers for their continued trust and partnership.

I also wish to thank my colleagues on the Board for their strategic leadership and stewardship throughout the year. On behalf of the Board of Directors I wish to place my sincere appreciation to the Governor and officials of the Central Bank of Sri Lanka for their invaluable guidance and unwavering support. I wish to take this opportunity to extend my appreciation to the officials of the Ministry of Finance comprising of the Departments of Development Finance and Public Enterprises for their invaluable support.

I take this opportunity to acknowledge the dedication of the entire RDB team led by the CEO for their commitment and unwavering support to achieve the objectives of the Bank.

Together, we move forward with purpose, building on a strong legacy, strengthening our foundations, and contributing meaningfully to the progress and prosperity of Sri Lanka.



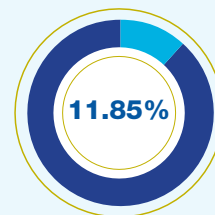
Lasantha Fernando
Chairman

Regional Development Bank

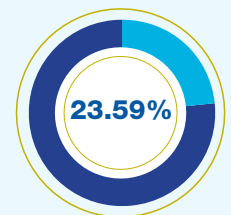
Chief Executive Officer's Message



“We recorded steady growth in revenue and profitability, recording an 86% year-on-year increase in Profit After Tax to LKR 2.37 billion.”



Increase in Deposits



Increase in Loans and Receivables

GENERAL MANAGER'S / CHIEF EXECUTIVE OFFICER'S REVIEW

The year under review marked a defining chapter in the journey of Regional Development Bank, as we celebrated four decades of service by empowering grassroots communities across Sri Lanka. This milestone provided an opportunity to reflect on our legacy and reinforced our commitment to evolve and strengthen the Bank's role as a catalyst for inclusive economic development. It is therefore with much pride that I present the Annual Report for the year ended 31 December 2025 which showcases a remarkable year of growth and value creation.

Preserving a Legacy of Four Decades

What began in 1985 as a visionary initiative under the Regional Rural Development Banks Act has evolved into a unified national development bank anchored in the mission of advancing inclusive growth and empowering the economic heartbeat of Sri Lanka. RDB evolved into a unified national development bank in 2010, strengthening inclusive growth across Sri Lanka.

Today, RDB Bank remains rooted in its founding philosophy while adapting to evolving economic needs. Its door-to-door model expands access beyond branches, supporting entrepreneurs and rural communities. Focused on inclusive growth, it empowers SMEs, agriculture, and women entrepreneurs, driving livelihoods and sustainable development.

Our 40th anniversary commemorations were marked by an Entrepreneurs Trade Fair at the BMICH to honour the entrepreneurs, farmers, and communities who have grown with us. The commemorative events, an Awards Ceremony, talent showcases, and knowledge-sharing forums, which were a fitting tribute to their resilience and contribution to the national economy.

Delivering a Resilient Performance

Sri Lanka's economic environment during the year continued to stabilise following a period of significant volatility. Improvements in macroeconomic indicators, supported by policy reforms and prudent fiscal and monetary measures, restored confidence within the financial system. Nevertheless, many segments of the economy particularly Micro, Small and Medium enterprises (MSMEs) and rural communities continue to face structural and environmental challenges. As a development-focused financial institution

Our digital ecosystem continues to grow through debit card offerings, QR-based merchant payments, LankaQR integration and JustPay-enabled transactions

deeply embedded within these segments, the Bank remains committed to supporting their recovery and growth.

Against this backdrop, the Bank delivered encouraging financial and operational performance during the year. We recorded steady growth in revenue and profitability, recording an 8.6% year-on-year increase in Profit After Tax to LKR 2.37 billion. The Bank's total income reached LKR 42.81 billion, driven by a 23.89% growth in Net Interest Income to LKR 24.23 billion, complemented by steady contributions from both interest and fee-based income streams. This performance highlights the Bank's ability to optimise its asset base while sustaining a well-diversified and resilient revenue profile.

Profitability metrics strengthened notably, with Return on Assets (ROA) improving to 1.70% and Return on Equity (ROE) increasing to 11.77%, demonstrating enhanced efficiency in capital deployment and earnings generation. Our performance in 2025 reflects the strength of a purpose-driven banking model that successfully balances financial sustainability with national development priorities. As Sri Lanka progresses on its path to recovery, our commitment to enabling inclusive growth remains unwavering.

The Bank continued to expand its development-focused lending portfolio, with loans and receivables growing by 23.59% to LKR 302.54 billion. This growth supported priority sectors including agriculture, SMEs, manufacturing, housing, and rural enterprises representing segments critical to national economic revitalisation. Importantly, this expansion was achieved alongside improved asset quality, with the Stage 3 impaired loans ratio declining to 4.06% from 6.25%, demonstrating robust credit risk management and effective recovery strategies.

Customer confidence remained strong, with deposits increasing by 11.85% to LKR 283.72 billion, driven by growth in both savings and fixed deposits. The Bank also maintained liquidity ratios well above regulatory thresholds, reinforcing its financial stability and resilience.

Importantly, this growth has been achieved while maintaining a highly diversified and granular lending portfolio, which strengthens our ability to manage risk effectively. By ensuring that our lending exposure remains broadly distributed across sectors, geographies, and customer segments, we continue to safeguard the Bank's resilience while supporting a wide spectrum of economic participants.

During the year, certain regions of the country were affected by the Ditwah Cyclone, which impacted many communities and businesses. Recognising the challenges faced by affected customers, the Bank implemented relief measures in accordance with the guidelines issued by the Central Bank of Sri Lanka, including repayment concessions and other supportive arrangements. These initiatives enabled customers to stabilise their operations while reaffirming our role as a responsible financial partner during times of adversity.

Digitalisation

RDB has also made significant strides in digital transformation. The introduction of ATM services in 2015 marked a key step in modernisation, and today our network includes owned ATMs, Smart Centres, and an expanding range of digital touchpoints. The planned rollout of new CRM machines across urban centres further enhances customer convenience and self-service capabilities.

Our digital ecosystem continues to grow through debit card offerings, QR-based merchant payments, LankaQR integration, and JustPay-enabled transactions. With over 6,000 QR merchants and a rapidly expanding digital payments footprint, RDB is playing an active role in supporting Sri Lanka's transition towards a digital economy. Complementing this, our extensive field network of Business Promotion Assistants continues to drive financial inclusion at scale, enabling thousands of daily transactions through mobile and digital platforms.

In 2025, the Information Technology Department translated strategy into tangible outcomes, delivering measurable improvements in system performance, service efficiency, and operational resilience. The successful execution of the Disaster Recovery drill validated our preparedness to withstand disruptions, while the ISO/IEC 27001:2022 certification underscored our commitment to maintaining the highest standards of information security. These achievements were complemented by the resolution of long-standing Core Banking System performance challenges, resulting in smoother transaction processing and enhanced reliability across our network.

The initiation of the Cash Recycle Machine project and the upgrade of our Core Banking System to imach.ai signal our intent to modernize infrastructure and elevate customer convenience. Recognition at the LankaClear Awards further validates our efforts in advancing digital payments and operational excellence. As we look ahead, we remain focused on leveraging technology to drive innovation, deepen financial inclusion, and deliver seamless banking experiences across all touchpoints.

Customer Centricity

We also made meaningful progress in expanding customer-centric services. Enhancements to Door-to-Door banking operations, onboarding of additional agents, and the transition of call centre operations to a secure, certified environment significantly strengthened service delivery and outreach.

We also continued to expand our branch network of 272 branches, strengthening our presence across the country and enabling us to serve communities more effectively. By bringing financial services closer to customers in rural and underserved regions, the Bank continues to deepen financial inclusion while supporting local economic ecosystems.

In parallel, the Bank is actively enhancing its digital capabilities and operational efficiencies to better serve the evolving needs of customers. Leveraging technology will enable us to streamline processes, improve service delivery, and expand access to financial services, particularly among underserved communities. Our goal is to combine our strong grassroots presence with modern financial solutions that empower customers to participate more effectively in the formal economy.

Community and Grass Root Development

Our Corporate Social Responsibility initiatives further reflect our commitment to nation-building beyond banking. Programs such as 'Diri Abhimani' have empowered women entrepreneurs through recognition, mentorship, and capacity-building at district and national levels. 'Pusthaka Sathakara' continues to support education by distributing essential learning materials to schools across all provinces, while our financial literacy and entrepreneurship development programmes aim to build a more informed and self-reliant society.

As we move forward, we remain guided by the Bank's core purpose uplifting communities and enabling opportunity at the grassroots level aligned with the broader development priorities of supporting enterprise development, rural economic empowerment, and inclusive financial growth.

Beyond financing, RDB has actively nurtured a culture of savings and financial discipline. Our deposit mobilisation initiatives, value-added savings products, and school savings programmes continue to instil long-term financial awareness among younger generations, ensuring that financial inclusion begins early and grows sustainably.

Our People Strength

At the heart of this progress is our people. With over 2,500 dedicated professionals and a nationwide branch network of 272 locations, RDB serves nearly 6 million customers across the country. This combination of human connection and institutional reach remains one of our greatest strengths. Strengthening our institutional capacity has also been a key priority during the year. Several strategic appointments were made within the senior management team, enhancing leadership capabilities across core functions of the organisation. These changes position the Bank to respond more effectively to emerging opportunities while driving operational excellence and innovation.

Way Forward

Looking ahead, RDB Bank remains committed to strengthening its role as a catalyst for regional development and inclusive prosperity. Our future strategy is centred on deepening digital adoption, enhancing SME competitiveness, expanding financial accessibility, and

continuing to support the transformation of Sri Lanka's rural economy into a vibrant engine of national growth.

Our focus is firmly directed towards transforming the Regional Development Bank into the foremost financial partner for Sri Lanka's MSME sector. MSMEs play a pivotal role in employment creation, innovation, and regional economic vitality. As such, we are strengthening our lending frameworks, improving customer engagement, and introducing more tailored financial solutions designed to support entrepreneurs and small businesses throughout their growth journey.

Appreciation

I wish to extend my sincere appreciation to the Board of Directors for their guidance and strategic direction during this important year of transition and growth. My gratitude also goes to our dedicated employees across the island whose commitment and professionalism continue to strengthen the Bank's connection with the communities we serve.

Most importantly, I thank our valued customers for the trust they place in us. I wish to extend my appreciation to the Governor and officials of the Central Bank of Sri Lanka for their continued support and guidance.

As we build upon the legacy of forty years, we are focused on shaping the next phase of the Bank's evolution one that strengthens our impact, expands opportunities for entrepreneurs, and reinforces our role as a trusted partner in the nation's development journey.

With a renewed vision and a strengthened foundation, the Regional Development Bank is well - positioned to move forward empowering communities, enabling enterprise, and contributing meaningfully to a more inclusive and resilient Sri Lankan economy.

As we move forward, we do so with a deep sense of responsibility and optimism. The journey from grassroots to greatness is not merely our history it is our ongoing commitment to the people of Sri Lanka.



Dr. Asanga Tennakoon
General Manager/Chief Executive Officer

BOARD OF DIRECTORS



Mr. Lasantha Fernando
Chairman

Mrs. Ramani Wijeratne
Non Independent/
Non-Executive Director

Mrs. Rohini Madurawala
Non Independent/
Non-Executive Director

Mr. P. A. Wijerathne
Non Independent/
Non-Executive Director

Mr. W. Ranaweera
Non Independent/
Non-Executive Director



Mr. Kumara Bandara
Non Independent/
Non-Executive Director

Mr. Chanura Wijetillake
Independent/
Non-Executive Director

Mr. Ranjith Kodituwakku
Independent/
Non-Executive Director

Mr. Asoka Bandara
Independent/
Non-Executive Director

Mr. Wasanthe Nandasiri
Independent/
Non-Executive Director

BOARD OF DIRECTORS

Mr. Lasantha Fernando

Chairman

Mr. Lasantha Fernando is a career banker with over 35 years of industry experience having previously served at the Hatton National Bank PLC Sri Lanka, as a Deputy General Manager, Development Banking. The role encompassed SME, Micro Finance, Rural & Agri. finance, developing strategic plans, closely monitoring the performance and motivating team members to consistently exceed performance targets.

As DGM Recoveries at HNB, Mr. Fernando adopted a "Hands on" approach working closely with the regions, managers, field and branch staff, leading, directing and motivating them to achieve goals and expectations. He also had a stint at Lakshmi Bank, Kathmandu, Nepal as Deputy General Manager on Secondment from HNB under a technical service agreement between the two banks. He also served in the board of the HNB PLC Subsidiary Sithma Development (Pvt) Ltd. and Associate, Splendor Media (Pvt) Ltd. Post retirement, he undertook short term assignments for Asian Development Bank (ADB), Vision Fund Lanka & Sejaya Micro Credit Ltd. in the areas of SME & micro finance respectively. He served as an Independent Director in a non-executive capacity at Richard Pieris Finance Ltd and was also the chairman of the Board Audit Committee and Chairman of the Board Integrated Risk Committee.

He has been in general retail and corporate banking in various capacities gathering experience in many areas of activity, ranging from credit, credit administration, branch bank management and Head Office credit functions. He was also a Branch Manager in several branches in rural, semi urban and urban areas and was instrumental in creating linkages and market opportunities for micro entrepreneurs using the bank's network of clients and assisting in the gradual enhancement in the capacity of enterprises to reach SME and even corporate status.

He holds a Diploma in Bank Management, is a Fellow of the Institute of Bankers (FIB) and a Master of Business Administration (MBA) University of Colombo. He is a distinguished old boy of both St. Thomas College, Mount Lavinia and Royal College, Colombo.

Assumed duties as Chairman with effect from 01st November 2024.

Mrs. Ramani Wijeratne

Non-Independent/ Non-Executive Director

Counting over 25 years of experience in the financial sector holding responsible positions in financial institutions, including Commercial Banking, Licensed Specialized Banking and Non-Banking Finance Companies, Mrs. Ramani Wijeratne possesses a wealth of expertise in leadership, financial management and organizational growth.

Mrs. Wijeratne holds a BSc Special Honours degree from the University of Kelaniya, complemented by extensive training in Strategic Management, Financial Management and Marketing. She has also earned several diplomas from the Institute of Bankers of Sri Lanka.

Additionally, she has participated in numerous professional development programmes, both locally and internationally, which have equipped her with a deep understanding of the best practices in management and leadership. She is also a Director of Litro Gas Ltd, 100% government owned entity.

Assumed duties as a Director with effect from 15.10.2024.

Mrs. Rohini Madurawala

Non-Independent/ Non-Executive Director

Mrs. Rohini Madurawala has over 35 years of experience in banking at People's Bank (PB) in Sri Lanka. Her career includes roles in Domestic and International Banking, managing branches, international trade, credit and credit risk management, and internal audit.

She has served as Branch Manager, Assistant Regional Manager, Chief Manager of Trade Services at Corporate Banking Division and Domestic Credit department of head office, and Assistant General Manager, overseeing Credit Risk Management, Internal Audit, and Branch Operations.

Mrs. Madurawala holds a Bachelor of Commerce (Special) from University of Ruhuna and a Postgraduate Diploma in Commerce from University of Kelaniya. She is an Associate Member of the Institute of Bankers of Sri Lanka and has obtained the Risk in Financial Services qualification from the Chartered Institute for Securities & Investments, UK.

She has contributed to policy development and served on various committees of the PB. Additionally, she has attended many professional development programs both locally and internationally during her career.

Assumed duties as a Director with effect from 09.12.2024.

Mr. P. A. Wijerathne

Non-Independent/ Non-Executive Director

Presently, Mr. Wijeratne serves as the Senior Independent Director of LOLC Finance PLC since 2017. Mr. Wijeratne has over twenty five years of experience in accounting, financial reporting, investment of internal funds, foreign loan disbursements and repayments, auditing, public debt management and administration as an ex Officio of the Central Bank of Sri Lanka (CBSL).

He joined CBSL in 1991 and has had exposure in the Finance, Public Debt Management and Internal Audit departments till his retirement in year 2016. Before joining the CBSL, he has served at Auditor General Department, Sri Lanka Institute of Development Administration and Agrarian Research and Training Institute.

Assumed duties as a Director with effect from 09.12.2024.

Mr. W. Ranaweera

Non-Independent/ Non-Executive Director

(Former Director of Central Bank of Sri Lanka)

Mr. Ranaweera possesses over 25 years of experience in the licensing, regulation and supervision of non-bank financial institutions. He has also been extensively involved in the implementation of development loan schemes operated by the Central Bank of Sri Lanka (CBSL), targeting key sectors such as agriculture, dairy farming and small and medium enterprises (SMEs).

Mr. Ranaweera joined the CBSL in 1991 and served in several key departments, including the Supervision of Non-Bank Financial Institutions, Bank Supervision, Regional Development and Regional Office Management, until his retirement in 2020. Prior to his tenure at CBSL, he held positions at the Bank of Ceylon and the Department of Inland Revenue.

He holds a Bachelor of Arts (Special) degree from the University of Sri Jayewardenepura (1982), a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka (1995) and a Master of Economics from Vanderbilt University, USA (2001).

Additionally, he has participated various training programs, seminars, workshops and knowledge-sharing initiatives both locally and internationally. These focused on areas such as central banking, bank supervision and regulation, development banking, anti-money laundering, microfinance etc.

Joined the Board with effect from 15th January 2025.

Mr. Kumara Bandara

Non-Independent/ Non-Executive Director

Mr. Kumara Bandara is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA), an Associate Member of the Sri Lanka Institute of Taxation (ATII), and a Fellow Member of the Institute of Certified Forensic and Fraud Auditors (IFA). He holds a Master of Business Administration (MBA) from the University of Wayamba, Sri Lanka, and a Bachelor of Science (Special) Degree in Business Administration from the University of Sri Jayewardenepura, Sri Lanka. He is also a Passed Finalist of the Institute of Chartered Corporate Secretaries of Sri Lanka (ACCS). Additionally, he serves as a Director of the Shrama Wasana Fund, Ministry of Labour, and is a Director of the Skill Development Fund of the Ministry of Education and Higher Education.

With over 25 years of professional experience, Mr. Bandara has served in several key professional committees and currently holds the position of President of the Institute of Certified Forensic and Fraud Auditors.

He has gained extensive expertise in advisory services including system design, investigations, preparation of procedure manuals, feasibility studies, due diligence, business valuation, internal audits, costing, taxation, and corporate secretarial services.

Mr. Bandara's experience includes leading audit and assurance engagements across a broad spectrum of entities. In addition to his professional work, he has contributed significantly to education, serving as a Senior Lecturer in Costing, Business Administration, Taxation, and Financial Accounting at a leading private educational institution in Sri Lanka for over ten years.

Joined the Board with effect from 04th December 2024.

Mr. Chanura Wijetillake

Independent/ Non-Executive Director

Mr. Chanura Wijetillake has over 35 years' experience in the banking sector out of which a total of 14 years has been in the Senior Management and the Corporate Management at the Commercial Bank of Ceylon PLC covering the areas of Lending, Compliance, and Branch Administration. He has been instrumental in implementing a Risk Based Compliance Framework and a Risk Based Compliance Audit System at the bank.

Mr. Wijetillake has also successfully developed and executed strategies to maximize sales and profits growth in two large regions of the Commercial Bank for over 5 years. He has been a member of the Commercial Bank's Internal Resource Faculty for its training programs conducted for Branch Managers and the Credit Officers on Lending.

He has represented the bank and participated in several training program in Singapore, Hongkong, Bangladesh, China and Germany during his long career at the Commercial Bank.

He has also functioned as the Assistant General Manager Compliance at Softlogic Finance PLC for a while after his retirement from Commercial Bank.

Mr. Wijetillake had been a Non-Executive Independent Director of People's Leasing & Finance PLC for 5 years and there he had been the Chairman of the Board Nominations and Governors Committee, the Chairman of the Board Integrated Risk Management Committee, Chairman of Board Related Party Transactions Review Committee and a member of the Board Credit Committee at different periods.

He has been a resource person in the Training Programs conducted by Centre for Banking Studies of the Central Bank of Sri Lanka for a few years.

He is also a member of the Sri Lanka Institute of Directors.

Mr. Wijetillake is a Fellow Member of the Institute – Bankers of Sri Lanka, and also an Associate Member of International

BOARD OF DIRECTORS

Professional Managers Association (UK). He has also obtained his Diploma in Management from ICAFI University India.

Joined the Board with effect from 22nd October 2025.

Mr. Ranjith Kodituwakku

Independent/ Non-Executive Director

Mr. Ranjith Kodituwakku is a distinguished banking professional with over 40 years of experience in senior leadership, strategic governance, and executive management. Throughout his career, he has consistently demonstrated a proven ability to drive transformative strategic initiatives, oversee comprehensive risk management frameworks, and lead high-performing, cross-functional teams to achieve sustainable growth.

Notably, he served as the Chief Executive Officer of People's Bank, one of Sri Lanka's leading state-owned banks, where he played a pivotal role in shaping institutional strategy and operational excellence. He has also held chairmanship positions at key financial and service sector organizations, including the Financial Ombudsman Sri Lanka, the Lanka Financial Services Bureau, and People's Travels.

His extensive expertise in the banking and financial services sector is further evidenced by his directorships at several prominent institutions, such as People's Leasing and Finance, People's Insurance PLC, PMF Finance PLC, Lanka Alliance Finance Ltd (Bangladesh), the Credit Information Bureau of Sri Lanka, Lanka Pay (Pvt) Ltd, and the Sri Lanka Banks' Association (Guarantee Ltd). In addition, he has made significant contributions to the governance and professional development of the sector through his involvement with the Institute of Bankers of Sri Lanka and the National Payment Council.

Mr. Kodituwakku possesses a unique blend of academic rigor and professional qualifications. He holds a Master of Business Administration (MBA) in Finance from the University of Colombo and a Bachelor of Laws (LLB) from the United Kingdom. He is also a Senior Fellow of the Institute of Bankers of Sri Lanka, a

Certified Member of the Sri Lanka Institute of Marketing and a member of the Sri Lanka Institute of Directors - reflecting his commitment to continuous professional development and multidisciplinary expertise.

Joined the Board with effect from 22nd October 2025.

Mr. Asoka Bandara

Independent/ Non-Executive Director

Mr. Asoka Bandara possesses over 40 years of experience in the Demand Generation function of which over 20 years is in Senior Management roles. His tenure with the global MNC Nestle included strategic roles such as Head of National Sales, Head of 2 Strategic Business Units in Marketing and the business lead for business development/ dairy value chain. He also headed the local conglomerate, Delmege Forsyth Limited, as the Group Managing Director.

He is the Group Head of Corporate Affairs & Strategy at the Sri Lankan confectionery and blue chip Maliban Biscuit Confectioneries (Pvt) Ltd.

He is the President of the All-Island Dairy Association (AIDA) under the Ceylon Chamber of Commerce, Chairman of National Dairy Consultative Committee under the Ministry of Industries, Secretary of Lanka Confectionery Manufacturers Association, and a Member of Chamber F&B Sub Committee. He was on the boards of Sri Lanka's LPG market leader Litro Gas and Litro Terminals. He has been an independent director at People's Leasing & Finance, from 2020 to 2025.

Currently, Mr. Bandara offers KPI based management consultancy and corporate training to blue chip Sri Lankan companies. His expertise includes building businesses based on brand equity enhancement and development of commercial teams through high level strategic planning and flawless execution in imparting many decades of commercial expertise to organizations to reach global/regional leadership positions.

He has been certified as a practitioner by Genos International, a global leader in Emotional Intelligence and a contact point for Sri Lanka and Maldives.

He has a postgraduate diploma from Chartered Institute of Marketing (UK) and a MBA from University of Colombo. He was a visiting MBA lecturer and a paper setting examiner for Strategic Management, Advanced Marketing / Sales Management as well as Leadership Development.

Joined the Board with effect from 22.10.2025.

Mr. Wasanthe Nandasiri

Independent/ Non-Executive Director

Mr. Wasanthe Nandasiri is a Fellow member of the Institute of Chartered Accountants with over two decades of senior leadership experience in finance, governance, and business transformation across Sri Lanka, South Asia, and emerging markets. He has held Chief Financial Officer and Group CFO roles in large multinational and regional groups, spanning manufacturing, infrastructure, trading, and financial services, and has extensive exposure to multi-country operations, complex funding structures, and enterprise-wide transformation initiatives.

His professional career includes senior leadership roles with leading global and regional groups, where he was responsible for finance, treasury, risk management, procurement, IT, and strategic planning, as well as involvement in large-scale ERP implementations, business restructuring, and performance management frameworks. He began his career with Ernst & Young in Sri Lanka and Singapore, gaining strong grounding in audit, due diligence, valuation, and advisory services across diverse industries including banking and financial services.

Mr. Nandasiri is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA), and a Chartered Global Management Accountant (CGMA). He holds a Bachelor of Business Administration (Special) degree from the University of Colombo and brings to the Board strong financial acumen, governance expertise, and a strategic, long-term perspective on institutional sustainability and value creation.

Joined the Board with effect from 27.11.2025.

CORPORATE MANAGEMENT



Dr. Asanga Bandara Tennakoon
General Manager/CEO



Mr. D. K. Sanjeeva Serasinghe
Chief Human Resources Officer



Mr. Asela Wijayabandara
Chief Financial Officer



Dr. G. M. B. C. De Silva
[Retired W.E.F. 10.04.2026]
Head of Business Operations
Deputy General Manager - Business
Revival & Recovery (Covering up duties)



Mr. K. S. Prasanna Kaluarachchi
Chief Internal Auditor



Dr. A. S. K. B. Rathnayake
Chief Information Officer

CORPORATE MANAGEMENT

Dr. Asanga Bandara Tennakoon

General Manager/CEO

Dr. Asanga Tennakoon, a highly - accomplished C-suite banking professional with over 25 years of experience in wholesale banking across Sri Lanka and the Middle East, covering corporate and SME segments, joined Regional Development Bank in January 2025. Before joining the Regional Development Bank (RDB), he was Vice President – Corporate Banking at Union Bank of Colombo PLC. Earlier roles at Union Bank included Assistant Vice President and Zonal Head, with responsibilities that included overseeing portions of the bank's advances and deposit portfolios. He also worked at Doha Bank in Qatar and Dubai, handling corporate clients during the global financial crisis, and at Sampath Bank PLC.

Dr. Tennakoon holds a Doctor of Business Administration (DBA) from Universidad Azteca and a Master of Arts in Financial Economics from the University of Colombo, along with professional qualifications in banking and finance. He is an Associate Member of the Institute of Bankers of Sri Lanka. His areas of focus include strategic planning, regulatory compliance, customer relationship management, and team leadership.

Mr. D. K. Sanjeeva Serasinghe

Chief Human Resources Officer

Mr. Sanjeeva Serasinghe, who has more than 25 years' experience in the field of HR since 1999, joined Regional Development Bank in January 2021. He holds a B.Sc. Special Degree in Human Resources Management from the University of Sri Jayewardenepura and Master of Science in Management (Specialized in HR) from the same university. He has successfully completed the fellowship Programme in Human Resources Management through Total Quality Management in Tokyo, Japan. Mr. Serasinghe has held senior leadership roles at prominent organizations prior joining to RDB, including Chief Operating Officer – HR & Compliance at Miami Clothing (Pvt) Ltd, General Manager HR &

Administration – D Samsons & Sons Pvt Ltd, Group Chief Human Resources Officer at Lanka Hospitals PLC, DGM Human Resources Development – National Savings Bank, Group General Manager – HR at Associated Motorways (Private) Limited (AI-Futtaim Group), General Manager Human Resources at Loadstar Pvt Ltd. and has also led HR functions at Sri Lanka Cricket, Suntel Ltd, and Hirdaramani Industries Ltd, demonstrating a directing and impactful leadership style.

Mr. Asela Wijayabandara

Chief Financial Officer

Mr. Asela Wijayabandara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), a Fellow Member of CIMA – UK (FCMA, CGMA) and an Associate Member of the Institute of Bankers of Sri Lanka (AIB – SL). Academically, he holds the Bachelor's degree in Business Management (Accountancy) Special from the University of Kelaniya. Mr. Wijayabandara also holds the International Diploma in Compliance (Int.Dip. Comp.) awarded by the International Compliance Association, UK, in collaboration with the University of Manchester.

Mr. Wijayabandara is a finance professional with over 24 years of experience in the banking, finance, and other corporate sectors, joined Regional Development Bank in January 2025. Before joining RDB, he served as Group Chief Financial Officer at Heritage Teas Group. He previously held key leadership roles, including Chief Operating Officer at CBS Limited for six years and Chief Financial Officer at Orient Finance PLC, where he also oversaw IT, compliance, and administration. In addition, he worked at Merchant Bank of Sri Lanka PLC as Manager – Finance & Treasury Management, handling treasury operations and financial reporting.

Dr. G. M. B. C. De Silva

[Retired W.E.F. 10.04.2026]

Head of Business Operations

Deputy General Manager – Business Revival & Recovery (Covering up duties)

Dr. G.M.B.C.De Silva holds a commerce degree from University of Sri Jayewardenepura, a Master of Business Administration from the University of Wayamba, Sri Lanka and a Ph. D Business Administration from the IIC University of Technology, Cambodia. De Silva possesses a Diploma in Banking in 1996 and is a Fellow Member of The Institute of Bankers of Sri Lanka. He has successfully completed the Micro Finance course conducted by the Colombo University of Sri Lanka.

He joined the Bank in 1987, when it was previously known as the Kegalle Regional Rural Development Bank and has since served the institution with dedication and commitment. During his long career, he has worked at Sabaragamuwa RDB and the Regional Development Bank in several capacities, gaining extensive experience in banking operations and management. He has held positions including Banking Assistant, Manager, Senior Manager, Chief Manager, Assistant General Manager and Regional General Manager in the Uva Province. His career demonstrates steady professional growth, leadership ability and a strong commitment to regional banking development. He possesses over 36 years of valuable experience in the banking sector.

Mr. K. S. Prasanna Kaluarachchi

Chief Internal Auditor

Mr. Prasanna Kaluarachchi is a multidisciplinary professional with a B.Sc. in Business Administration(Spl.) from the University of Sri Jayewardenepura and a Master of Business Administration from Rajarata University of Sri Lanka. He holds several professional qualifications including Associate Membership (ACMA) of ICMA Sri Lanka, Membership of Chartered Institute of Public Finance and Accountancy (CIPFA-UK) and Associate Membership of the Chartered Institute of Personnel Management Sri Lanka (CIPM) and is a Chartered Public Finance Accountant (CA Sri Lanka), with over 25 years of experience in auditing, finance, administration, and human resource management.

Prior to joining PSB, he served as General Manager of the Sri Lanka Social Security Board (a government body managing fund for social security benefits to self-employed persons) and held key positions at the Industrial Technology Institute (a government statutory body) as Additional Director General (Administration & Operations) and Chief Internal Auditor. Earlier in his career, he worked as an Accountant at Ramjay International and Creations (Pvt) Ltd. Mr. Kaluarachchi began his career at KPMG Ford, Rhodes, Thornton & Co. as an Accounts Trainee.

He has also broadened his expertise through international training programs in Malaysia and South Korea and is a Charter Member of Toastmasters International.

Dr. A. S. K. B. Rathnayake

Chief Information Officer

Dr. Ajantha Rathnayake is an accomplished IT professional with over 33 years of experience both locally and internationally. Dr. Rathnayake holds a B.Sc. in Management Information Systems (MIS) from the National University of Ireland, a Master of Business Administration (MBA) from Leeds Metropolitan University in England, and a Ph.D. from Aldersgate College, Philippines.

His professional experience includes working with three multinational Fortune 500 companies as well as with local public and private sector organizations, contributing to large-scale IT systems, digital transformation initiatives, and organizational development projects. He joined the Regional Development Bank on April 1, 2019, following the merger of Lankaputhra Development Bank where he had served as Assistant General Manager – IT (Head of IT) since February 2015.

REGIONAL GENERAL MANAGERS



Mr. M. M. S. Ananda
Regional General Manager
Zonal I (North Central & Eastern Province)

Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. P. H. Wijethilaka
Retired W.E.F. 2026.01.09
Regional General Manager
Sabaragamuwa Province

MBA National School of Business Management (NSBM)

B.Sc (State Mgt. & Valuation) Degree - University of Sri Jayewardenepura

Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. K. C. D. Dharmapriya
Retired W.E.F. 2026.01.21
Regional General Manager
Central Province

BA Degree - University of Peradeniya

Senior Associate Member of Institute of Bankers of Sri Lanka



Mr. C. L. C. Muthubanda
Regional General Manager
North Western Province

B.Sc. Business Administration (Special) Degree - University of Sri Jayewardenepura

Fellow Membership of Institute of Bankers of Sri Lanka (FIB)



Mr. K. B. Wijerathna
Regional General Manager
Uva Province

B.Sc. Business Management (Special) Degree - University of Rajarata

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Intermediate Examination - The Institute of Chartered Accountants of Sri Lanka



Mrs. H. M. N. M. Herath
Regional General Manager
Western Province

B.Sc. - Business Administration (Special) Degree - University of Sri Jayewardenepura

Master of Business Administration - University of Wayamba.

Fellow Member of The Institute of Chartered Accountants of Sri Lanka

Fellow Member of The Association of Accounting Technicians of Sri Lanka

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Fellow Member - Institute of Certified Management Accountants of Sri Lanka (CMA)

Diploma in Treasury and Risk Management at IBSL

ASSISTANT GENERAL MANAGERS/ HEAD OF DIVISIONS



Mrs. A. R. R. Piyasekara
Chief Legal Officer/Assistant General
Manager-Legal

Attorney-at-Law
Registered Company Secretary
Notary Public & Commissioner for Oaths
Master of Laws (LLM) - University of Colombo
Master of Science (MSc) - University of Moratuwa
Postgraduate Diploma in Labour Studies (PgDLS) - University of Colombo
Bachelor of Laws (LLB-Honours) - University of Colombo
Diploma in Compliance - Institute of Bankers of Sri Lanka
Diploma in Corporate Banking - Institute of Bankers of Sri Lanka
Chartered Member (CMILT) - Chartered Institute of Logistics & Transportation of SL
Life Membership - Association of Professional Bankers (APB) in Sri Lanka



Mr. W. K. G. Karunaratne
Assistant General Manager
Risk Management

B. Sc. Business Administration (Special) Degree - USJP
PGD (HRM) - UOC
Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. B. W. M. A. N. W. Kumarasiri
Assistant General Manager - Investigation

B. Com (Special) Degree - University of Colombo
CGAP Trainer & Consultant
Diploma in Credit Management - Sri Lanka Institute of Credit Management
Diploma in Marketing - LPEC Campus
Diploma in Business Management & Labor Law - CAPSOISL



Mrs. E. M. P. C. K. Ekanayaka
Assistant General Manager
Compliance/ Compliance Officer

Master of Business Finance Degree - University of Kelaniya
Associate Membership of Institute of Bankers of Sri Lanka (AIB)
Postgraduate Diploma in Bank Management - IBSL
Diploma in Compliance - IBSL



Mr. K. J. Dharmapriya
Assistant General Manager
Credit Administration

Bachelor of Business Administration (Econ) - University of Rajarata
Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mrs. R. M. T. Rajapaksha
Retired W.E.F 2026.01.08
Board Secretary

Bachelor LLB - University of Colombo
PGD-HR University of Colombo
Attorney - at - Law
Notary Public
Company Secretary
Diploma in English, Aquinas College, Colombo
Certificate in English, University of Colombo
Certificate for completion of "International Human Rights Training Program" in Canada organized by the Canadian Human Rights Foundation
Certificate for completion of the training of "Implementation of Human Rights Treaty Bodies recommendations at National Level" in Geneva organized by the Office of the United Nations High Commissioner for Human Rights
Certificate for participation in "Asisa-Pacific Regional Workshop on Women's Economic, Social and Cultural Rights" in Philippines organized by the Commission on Human Rights of Philippines



Mr. E. P. Ranjith Kumara
Assistant General Manager
Internal Audit

B. Com (Special) Degree - University of Kelaniya
DABF - Institute of Bankers of Sri Lanka
MBA - IIC University of Technology, Cambodia

ASSISTANT GENERAL MANAGERS/ HEAD OF DIVISIONS



Mr. P. S. T. Ranathunga
Assistant General Manager
Credit, Special Projects & Policy
Implementation

BA (Hon) - University of Colombo
MA University of Sri Jayewardenepura
Diploma in Micro Finance - IBSL



Mr. M. D. G. Karunaratna
Assistant General Manager
IT (Applications)

B.Sc. (Physical Science) Degree - University
of Kelaniya
Master of Information Technology -
University of Kelaniya
Postgraduate Executive Diploma in Bank
Management - IBSL
Professional Membership of British
Computer Society (MBCS)
Associate Membership of Institute of
Bankers of Sri Lanka (AIB)



Mrs. S. G. G. Lakshmi
Assistant General Manager- Finance

B.Sc. - Business Administration (Special)
Degree - University of Sri Jayewardenepura
PGEXDip. in Bank Management - IBSL

Associate Membership of Institute of
Bankers of Sri Lanka (AIB)
Licentiate Level Examination - The Institute
of Chartered Accountants of Sri Lanka



Mr. K. D. H. A. De Silva
Assistant General Manager
Recovery

Higher National Diploma in Accountancy
DBF - Institute of Bankers of Sri Lanka
PGEXDip. in Bank Management - IBSL
MBA - Asia e University, Malaysia
National Certificate in Draftsmanship -
Technical College - Sri Lanka
Fellow Membership of Institute of Bankers
of Sri Lanka (FIB)



Mr. S. D. A. S. Sandanayaka
Assistant General Manager
Human Resource Management

Associate Membership of Institute of
Bankers of Sri Lanka (AIB)
Diploma in Human Resource Management
- NYSCO



Mr. D. B. D. Saranga Chandraprema
Assistant General Manager
IT Operations & Infrastructure

Master of Business Administration
Executive Master of Science (Information
Security)
Bachelor of Science (Information
Technology)
Postgraduate Diploma (BCS)
ITIL



Mr. W. G. Ranathunga
Assistant General Manager
Central Loan Origination System

Master of Business Studies - National
School of Business Management (NSBM)
Postgraduate Diploma in HR Management
- National School of Business Management
(NSBM)
Diploma in Micro Finance - Institute of
Bankers of Sri Lanka
Diploma in Human Resource Management
- National Institute of Labor Studies (NISL)
Associate Membership of Institute of
Bankers of Sri Lanka (AIB)



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review | 32

Customer Relationship Review | 35

Sustainability and ESG Progress Review | 40

Information Technology Review | 42

Marketing Review | 44

Society and Environmental Review | 46

Human Capital Review | 49

FINANCIAL REVIEW

RDB Bank recorded improved profitability supported by steady asset growth and strengthened operational efficiency. The Bank effectively leveraged its extensive branch network and a customer base of over 6 million to drive business expansion across key segments. Enhanced focus on lending activities, prudent risk management, and deeper customer engagement contributed to sustained balance sheet growth. These outcomes reflect the Bank's ability to convert its wide outreach into stronger financial performance and long-term value creation.

As a financial institution dedicated to Development Banking, the Regional Development Bank (RDB) is continuing to play a vital role in the upliftment of social and economic development activities in the country. The Bank has been in the forefront of most development programs in the island, playing a vital role as a financier. RDB has now emerged as a unique Financial Institution for Regional Development in the island, serving the sectors of the economy where most financial institutions are reluctant to actively participate in this sensitive and sophisticated arena. Our key asset is our customer base of over six million, spread throughout the country, including both the North and East. The development of the country and its people are the focus of the Bank. So, the Bank is committed to empowering them and thereby developing the Nation through its island-wide branch network of 272 branches.

Profitability

Profits after Tax (PAT) of the Bank have increased significantly by 86.00% compared to the previous year. In the year 2025, operating profit increased to LKR. 9,316 Mn, which is 50.55% more than the operating profit of LKR. 6,188 Mn recorded in 2024. Return on Assets (ROA) before tax was recorded as 1.70%, that stood at 1.03% in 2024. Also, the Bank reached total assets of LKR. 362.17 Bn as of 31 December 2025 which recorded 11.84% growth over the previous year.

Profitability over the Budget

Item	Actual	Budgeted	Change
	LKR 000	LKR 000	
Gross Income	42,813,921	48,495,083	-11.71%
Operating Profits	9,316,975	8,081,174	15.29%
Profit after Tax	2,372,273	1,674,444	41.68%

RDB's Quarterly Financial Performance

RDB's quarterly financial performance improved slightly during the year 2025.

Item	2025 - LKR 000				31-Dec-24
	31-Dec	30-Sep	30-Jun	31-Mar	LKR 000
Net operating Income	25,428,317	17,055,602	10,831,298	5,215,454	21,419,386
Profit Before Tax	5,829,785	3,471,391	2,193,750	922,176	3,209,877
Profit /(Loss) After Tax	2,372,272	1,618,876	1,052,281	377,013	1,275,449
Loans & Receivables	302,539,821	281,193,250	263,968,920	253,830,049	244,788,393
Customer Deposits	283,715,707	280,999,198	270,776,241	261,754,527	253,664,001
Total Assets	362,175,745	354,501,272	344,992,837	333,947,832	323,831,354
Shareholder's fund	21,937,726	20,007,020	19,440,425	18,765,157	18,388,143

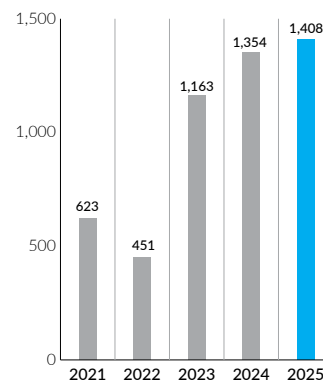
Income

The total income of the Bank slightly increased by 8.25% to LKR. 42.81 Bn from LKR. 39.55 Bn. The Bank achieved a total income higher than the previous financial year even in the challenging economic condition in the country.

Composition of Total Income

Item	2025	2024	Change
	LKR 000	LKR 000	
Interest Income	40,438,816	37,922,124	6.64%
Fee and Commission Income	2,226,924	1,951,331	14.12%
Other Operating Income	148,179	(321,234)	146.13%
Total Income	42,813,920	39,552,222	8.25%

NET FEE & COMMISSION INCOME (LKR Mn)



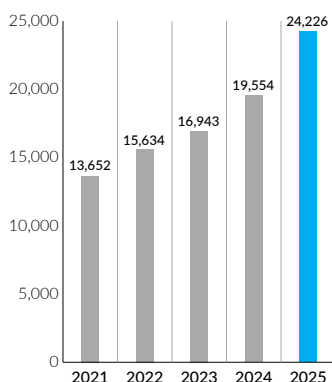
Net Interest Income (NII)

Net interest income increased by 23.89% in the financial year of 2025, and it increased from LKR 19,554 Mn to LKR 24,226 Mn.

Net Fee and Commission Income

During the financial year 2025, Net Fee and Commission Income increased by 4.03%. It increased to LKR 1,408 Mn compared to the results of LKR 1,354 Mn in financial year of 2024.

NET INTEREST INCOME (NII) (LKR Mn)



Taxation

Item	2025	2024	Change
	LKR 000	LKR 000	
VAT on Financial Services	3,061,814	2,617,138	16.99%
Social Security Contribution Levy	425,375	361,560	17.65%
Income tax expense /(reversal)	3,457,512	1,934,428	78.74%
Total Tax Expense	6,944,702	4,913,126	41.35%

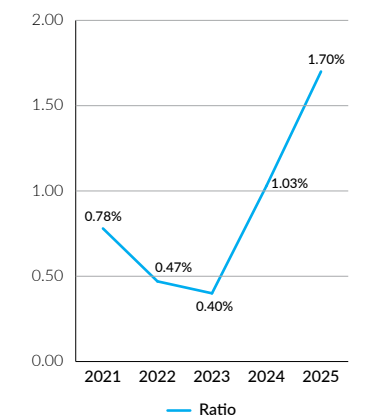
During the financial year 2025, the Bank has incurred Taxes on financial services, amounting to LKR 3,487 Mn and Income Tax expenses to LKR 3,457 Mn. A total of LKR 6,944 Mn has been incurred during the year as taxes.

FINANCIAL REVIEW

Return on Assets (ROA)

The Bank has recorded ROA (operating profits) of 1.70% for the financial year 2025 despite of 1.03% recorded for the financial year 2024.

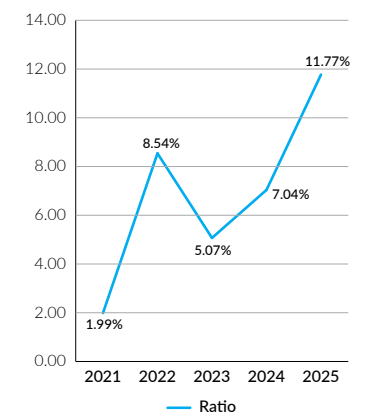
RETURN ON ASSETS (ROA) (%)



Return on Equity (ROE)

The Bank has recorded ROE of 11.77% for the financial year 2025 despite 7.04% recorded for the financial year 2024.

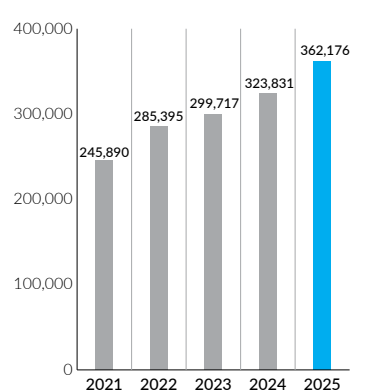
RETURN ON EQUITY (ROE) (%)



Total Assets

The Bank recorded a growth of 11.84% in total assets as at the end of the financial year 2025, over the corresponding year. Accordingly, the total assets base increased from LKR 323 Bn to LKR 362 Bn during the financial year.

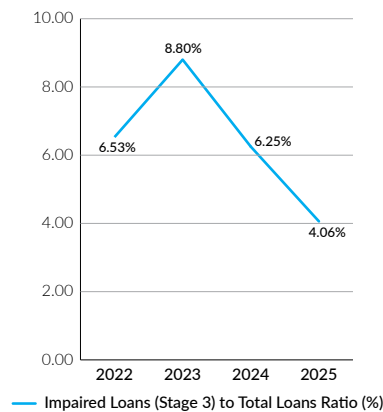
TOTAL ASSETS (LKR Mn)



Assets Quality

The Impaired Loans (Stage 3) to Total Loans Ratio (%) of the Bank slightly decreased to 4.06% as of 31 December 2025 irrespective of 6.25% at the end of the previous year.

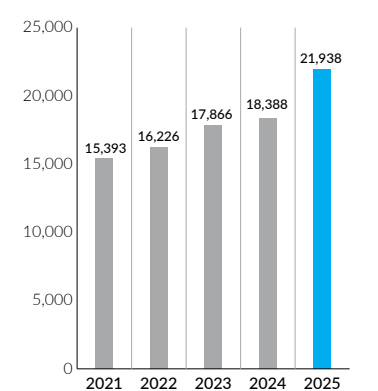
IMPAIRED LOANS (STAGE 3) TO TOTAL LOANS RATIO (%)



Total Shareholders' Equity

Total shareholders' equity of the Bank arrived in LKR 21,937 Mn in the year 2025 against LKR 18,388 Mn recorded in the year 2024.

SHAREHOLDERS' EQUITY (LKR Mn)



Liquidity

Item	2025	2024
Liquidity Coverage Ratio (%)		
Rupee (%)		
(Minimum: 100%)	207.00%	402.00%
All Currency (%)		
(Minimum: 100%)	207.00%	402.00%
Net Stable Funding Ratio (%) (Minimum: 100%)		
	130.00%	152.00%

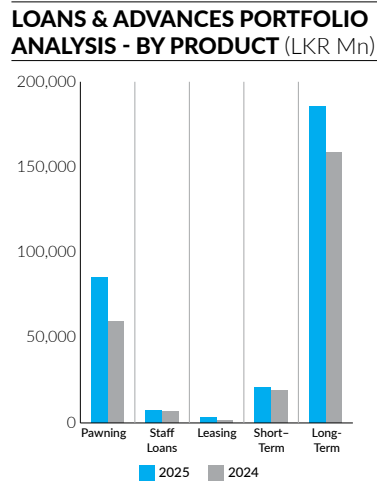
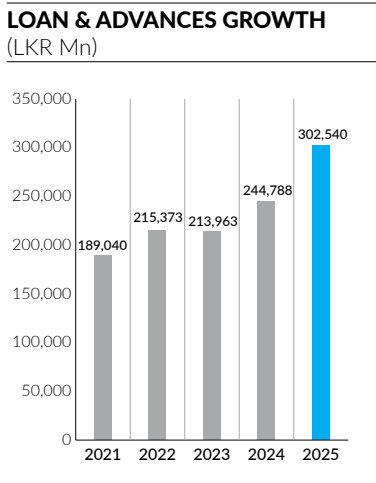
The Bank has consistently maintained its liquidity levels well above the regulatory requirements during the year 2025.

CUSTOMER RELATIONSHIP REVIEW

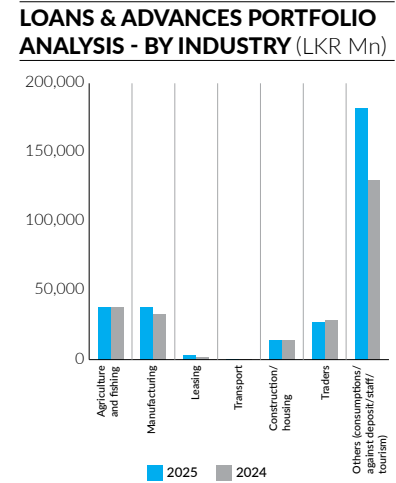
RDB Bank continued to strengthen its customer-centric approach, placing enhanced focus on deepening relationships and improving overall customer experience across its network.

Marketing initiatives were aligned with the Bank’s development banking mandate, with targeted campaigns aimed at expanding financial inclusion, strengthening SME engagement, and reinforcing brand trust in rural and semi-urban markets. The Bank further leveraged digital and on-ground channels to improve reach, responsiveness, and relevance in an evolving financial landscape.

Loans & Advances Growth



Loans & Advances Portfolio Analysis - By Industry



CUSTOMER RELATIONSHIP REVIEW

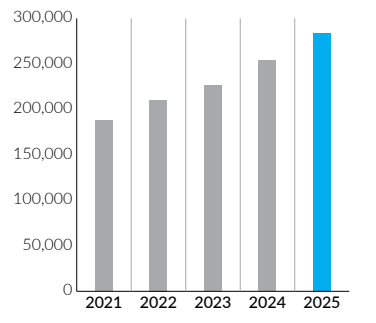
Recoveries

During the year 2025, special attention was given by the Bank to manage its Non-Performing Loan (NPL) by focusing on recovering the Stage 03 loans of the Bank. As a result of the special efforts made by the Bank, the Bank was able to manage the stress that arisen due to volatility of the country's economic situation. Hence, the Bank managed to maintain the Impaired Loans (Stage 3) to Total Loans Ratio (%) at 4.06% as of 31 December 2025 whilst growing the credit portfolio by 23.59%.

Deposit Growth

Deposit Base of the Bank increased to LKR 283 Bn, that represents 11.85% growth over the previous year. The major contributor to this was saving deposits, which grew by 16.69% whilst fixed deposits increased by 9.38%.

DEPOSIT GROWTH (LKR Mn)



Deposit Mix

Type of Deposit	2025 LKR Mn	2024 LKR Mn
Savings deposits	100,037	85,730
Fixed deposits	183,679	167,934
Total	283,716	253,664

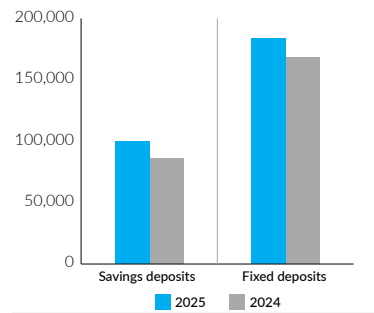
Loans & Advances Portfolio Analysis - By Product

Category	2025 LKR Mn	2024 LKR Mn
Pawning	85,027	59,383
Staff Loans	7,554	6,539
Leasing	3,216	1,753
Short-Term	20,944	18,792
Long-Term	185,798	158,321
Total	302,540	244,788

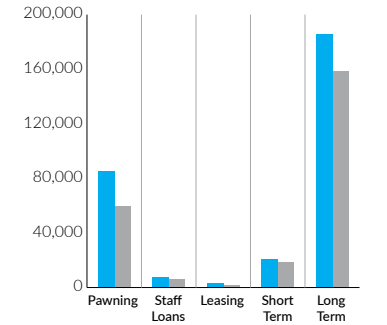
Loans & Advances Portfolio Analysis - By Industry

Item	2025 LKR Mn	2024 LKR Mn
Agriculture and fishing	38,174	37,947
Manufacturing	37,839	32,715
Leasing	3,216	1,753
Transport	63	39
Construction/housing	14,072	13,803
Traders	27,012	28,901
Others (consumptions/against deposit/staff/tourism)	182,163	129,631
Total	302,540	244,788

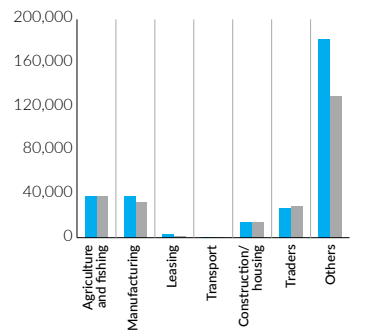
DEPOSIT PORTFOLIO ANALYSIS - BY PRODUCT (LKR Mn)



LOANS & ADVANCES PORTFOLIO ANALYSIS - BY PRODUCT (LKR Mn)



LOANS & ADVANCES PORTFOLIO ANALYSIS - BY INDUSTRY (LKR Mn)



Credit Function

Credit remains the primary instrument through which the Regional Development Bank (RDB) delivers on its development mandate. In 2025, the Bank continued to prioritize lending to key economic sectors such as agriculture, small industries, fisheries, animal husbandry, and the services sector, thereby strengthening their contribution to national income and inclusive economic growth.

Leveraging its strong rural presence since 1985, RDB sustained its outreach to underserved communities, promoting financial inclusion and balanced regional development. Loan products were strategically structured with concessionary interest rates, flexible repayment terms, appropriate grace periods, and accessible security requirements to meet the specific needs of priority sectors.

The notable growth in the loan portfolio during 2025 was primarily driven by increased credit demand from revival-oriented sectors, expansion of targeted lending programmes, and the Bank's proactive credit delivery strategy. Enhanced customer engagement, streamlined approval processes, and the integration of "credit plus" services-including entrepreneurship development, training, and management advisory support-further strengthened borrower capacity and improved credit quality.

In addition, a strong focus on women-led business empowerment through dedicated financing and capacity-building initiatives further contributed to portfolio expansion while promoting inclusive and sustainable economic growth.

In addition to that, under the C&R, operating such a crucial profitability object called Bancassurance Unit. The Bancassurance Unit was launched as an online facility in 2021 with the objective of enhancing insurance accessibility for our customers.

At present, 17 leading insurance companies have joined hands with our Bancassurance Unit to provide a wide range of insurance services. These include Motor Insurance, Fire Insurance, Title Insurance, and Loan Protection Insurance, ensuring comprehensive coverage solutions for our customers.

We provide several value-added services to RDB customers while supporting the Bank's risk mitigation strategy. Insurance coverage such as Loan Protection and Motor Insurance claims help reduce the Bank's credit and operational risks.

Furthermore, insurance companies have maintained substantial deposits with the Bank in 2025, contributing positively to the Bank's liquidity and financial stability.

In 2025, the Bancassurance Unit achieved a significant milestone by reaching a record fee income of Rs. 65 Mn. We paid Rs 193 Mn in Death claims during 2025.

Fee Income Report Company wise - 2025

No	Insurance Company	Amount (LKR)
1	Allianze General Insurance	299,031.17
2	Allianze Life Insurance	95,001.40
3	Arpico Insurance Life PLC	44,294.77
4	Ceylinco General Insurance	1,252,171.37
5	Ceylinco Life Insurance Ltd	99,935.80
6	Cooperative Insurance	1,596,779.20
7	FairFirst Insurance Ltd	234,443.15
8	HNB General	428,287.33
9	Janashakthi Life Insurance	4,662,099.72
10	LOLC (General) Insurance	808,302.40
11	LOLC (Life) Assurance	3,334,204.70
12	People's General Insurance	555,039.84
13	Sanasa Insurance General	663,425.74
14	Sanasa Insurance Life	19,970,738.50
15	Softlogic Life Insurance	27,430,059.14
16	Sri Lanka Insurance General	2,651,847.19
17	Sri Lanka Insurance Life	1,494,643.86
Total		65,620,305.28




























Meets New Technology

Loan Origination System (LOS) has been introduced and entertained the retail lending and selected Project lending at the moment. Project lending will be fully operationalized through the system before the end of the year 2026. The system helps to enrich the credit process & entertain the existing clients and welcome new clients by supplying effective service on lending through the automated system.

CUSTOMER RELATIONSHIP REVIEW

Refinance & Interest Subsidy Loan Schemes

There are several schemes (mentioned below) held with several institutions namely CBSL, Ministry of Finance, Ministry of Industries and Ministry of Agriculture etc. The Bank also engaged with Asian Development Bank (ADB) for operating very crucial refinance credit lines to enhance the SME sector.

Category / Strategic Focus	Loan Schemes Included	Core Objective	Key SDGs
 MSME Development & Business Expansion	SMELoC II, SMELoC III, SMELoC Revolving Fund, SMILE III RF – Manufacturing, Re-Energizing MSME	To provide concessional and recovery-focused financing for MSMEs to support business expansion, working capital, modernization, productivity improvement, and post-crisis revitalization.	  
 Agriculture & Agribusiness Development	Krushi Shakthi, NCRCS, Agriculture Modernization Project, SAPP	To strengthen agricultural production, seasonal cultivation, agri-value chains, and rural agribusinesses through affordable and interest-subsidized credit facilities.	  
 Coconut & Plantation Sector Promotion	Kapruka Ayojana, Kapruka Jayaisura	To promote coconut cultivation and encourage value-added coconut-based industries, including processing and traditional product manufacturing.	  
 Irrigation & Regional Livelihood Development	Mahaweli Saviya, Mahaweli Surekum, Moragahakanda	To enhance agricultural productivity and livelihood development in Mahaweli and major irrigation project areas through targeted credit support.	  
 Seasonal & Pledge-Based Financing	Special Pledge Scheme	To provide short-term seasonal loans against pledged agricultural produce (mainly paddy) to ensure fair pricing, liquidity, and income stability for farmers and millers.	  
 Youth & Self-Employment Promotion	SEPI Phase II, PAMP RF	To promote entrepreneurship and self-employment among vocationally trained youth and rural micro-entrepreneurs by providing startup and small-scale business financing.	 
 Green & Environment-Friendly Financing	E-Friends	To finance environmentally sustainable business activities such as renewable energy, waste management, energy efficiency, and pollution control initiatives.	  

RDB Leasing

RDB Leasing has been operating quite successfully in 2025. All branches tend to execute their strategies to enhance the leasing portfolio of their branches very successfully.

Leasing Portfolio as at 31.12.2025 is LKR 4.2 bn.

Recoveries

In response to prevailing economic conditions, the Bank strengthened its recovery function through decisive and targeted actions during 2025. Willful borrowers with repayment capacity were summoned to the Head Office for structured settlements, while branches with the highest levels of Impaired loan (Stage 3) were identified for focused interventions and recovery camps.

Intensive follow-ups were undertaken to reduce 1, 2, and 3 due installment accounts (infected ratio), resulting in improved loan classifications and strengthened asset quality. These measures contributed to higher interest income, reduced impairment provisions, and a notable decline in Impaired loan levels. As a result, PSB could be managed the Impaired loan (Stage 3) to Total Loan Ratio up to 4.06% as of December 2025 and the ratio decreased by 2.19% when compared with the year 2024.

During the year, the Business Revival Unit (BRU) was also proactively monitored and offered solutions for stressful facilities. The Unit provided funded and refinancing credit facilities to eligible projects to restore them to sustainable operations. In addition to financial assistance, the Bank extended non-financial support, including advisory and technical guidance to enhance long-term viability of the stressful facilities.

Overall, the Business Revival and Recovery Department of the Bank made a significant contribution to the Bank's profitability and financial stability for the year 2025.

SUSTAINABILITY AND ESG PROGRESS REVIEW

The Regional Development Bank Sustainability Committee continued to strengthen sustainability adherence across the Bank's operations in 2025. In alignment with the Central Bank of Sri Lanka Sustainable Finance Roadmap and global ESG standards, the Committee ensured that environmental and social considerations were systematically integrated into lending, risk management, and internal operational processes.

Integration of Sustainability Initiatives

2020

- Implemented the Environmental and Social Management System (ESMS).
- Introduced the Environmental & Social (E&S) Policy across all operations.
- Established the Environmental & Social Management Unit (ESMU) with technical assistance from the Asian Development Bank (ADB) under the SRDBP initiative.

Performance Achievement : ADB approval obtained to lend Category "B" projects under Environmental & Social classification.

2021-2022

- Trained approximately 300 staff members on environmental and social risk assessment, including familiarization with E&S screening procedures prior to project lending.

Outcomes: Strengthened internal capacity for responsible and risk-sensitive lending.

2023

- Completed advanced training programs on E&S management for over 320 staff members, including all branch credit and SME officers.
- Finalized the composition and received recommendations for the establishment of the Bank's Sustainability Committee.
- Initiated discussions with UNEP to explore opportunities for launching a Sustainable Climate Insurance Mechanism.
- Revised and enhanced the ESMS to align with updated sustainability practices.

Performance Achievement : ADB approved the Bank to lend Category "A" projects, (only for environmental classification) recognizing enhanced E&S management capacity.






2024

- Revised the existing Environmental & Social Policy, introducing the Environmental & Social Sustainability Policy (ESSP), formally approved by the Board of Directors.
- Proposed and secured Board approval for the establishment of a dedicated Sustainability Unit.
- Conducted the first meeting of the Sustainability Committee, setting the foundation for continued E&S governance and oversight.

2025

- Obtained Board of Directors' approval to initiate the implementation of a comprehensive Environmental, Social, and Governance (ESG) Framework for the Bank.
- Organized a "Thrifting Sale" event at Head Office level, open to the public, aimed at promoting the concept of a circular economy and encouraging sustainable consumption.

RDB Bank – SDG Impact Mapping 2025

High Influence High Ability to Transform - (Core Strategic Impact Areas – Direct Business Drivers)	
	Strong MSME portfolio: 37% of total portfolio
	+ 169 staff training programmes for 5,127 of participants
	Women borrowers: 48,497 loans disbursed (40% of total), amounting to LKR 33.3 Bn
	38,973 loans disbursed amounting to LKR 18,653.56 Mn (6% of total annual disbursements) Agri-loan portfolio: LKR 35,958.45 Mn (12.03% of total portfolio)
These SDGs represent RDB's primary development mandate and highest measurable transformation impact.	
High Influence Moderate Ability to Transform - (Strong Sector Contribution with Growth Potential)	
	98% of the total loan portfolio is concentrated outside Colombo
	2,986 MSMEs received comprehensive training on financial literacy, accounting, entrepreneurial skills, market trends, and technology adoption
Moderate Influence Moderate Ability	
	687 loan applications were evaluated for environmental & social risks before approval
	Housing loans: ~4% of total portfolio
	WE-Fi Code Digital enhancement project with ADB
Emerging Niche Contribution Areas	
	Solar power loans: 577 disbursed, totaling LKR 1,140.54 Mn.
	Fisheries loans: 0.7% of total portfolio (by amount)

INFORMATION TECHNOLOGY REVIEW

ONLINE

SUPPORT

SATISFACTION

CUSTOMER

RDB Bank continued to strengthen its digital transformation agenda, with a clear focus on becoming more customer-centric. IT initiatives were enhanced to improve service efficiency, accessibility, and responsiveness across all touchpoints. The Bank advanced its digital platforms and core systems to enable faster, more seamless customer interactions while supporting branch-level operations. Strengthened cybersecurity, system integration, and process automation further reinforced operational resilience. These developments collectively positioned technology as a key enabler in delivering improved customer experience and greater financial inclusion.

The year 2025 marked a significant turning point for the Information Technology Department, reflecting measurable progress, strengthened operational resilience, and strategic achievements that reinforced the Bank's technology foundation. After years of planning and incremental improvements, the Department successfully delivered key initiatives that enhanced system stability, strengthened the Bank's security posture, and improved service efficiency, while laying a solid platform for future digital transformation.

A major milestone during the year was the successful execution of a full-scale Disaster Recovery (DR) drill. After several preparatory efforts in previous years, the Bank conducted a comprehensive DR exercise covering critical systems and essential business functions. The drill validated system functionality, data

integrity, infrastructure readiness, and recovery capabilities under simulated disaster conditions. It demonstrated improved coordination between IT teams and business units and provided strong assurance of the Bank's ability to sustain operations during major disruptions. Lessons learned were documented and integrated into continuous improvement plans, significantly enhancing the Bank's overall business continuity framework.

Information security remained a top strategic priority in 2025. A landmark achievement was the successful attainment of ISO/IEC 27001:2022 certification. This internationally recognized certification reflects the maturity of the Bank's Information Security Management System (ISMS) and confirms alignment with global best practices in managing information security risks. Achieving certification required extensive policy enhancements,

control implementation, risk assessments, staff awareness initiatives, and internal audits. Its completion represents a major institutional milestone and strengthens stakeholder confidence in the Bank's cybersecurity governance.

Complementing this achievement, the Data Classification Policy was finalized and implemented during the year. The policy establishes a structured framework for categorizing data based on sensitivity and criticality, ensuring appropriate protection, access controls, and handling procedures across the organization. This initiative enhances regulatory compliance, strengthens data governance, and supports broader risk management objectives.

In 2025, the Bank also initiated the long-anticipated upgrade of the Core Banking System (CBS) to the latest version, imach.ai. After years of evaluation and

vendor engagement, this modernization effort addresses prior system limitations and introduces improved performance, enhanced functionality, and greater scalability. The upgraded platform provides a stronger foundation to support growing transaction volumes, new product development, and evolving customer expectations.

Operational stability of the CBS was further strengthened by resolving large-volume transaction issues that had previously impacted performance. Through focused technical interventions, root-cause analysis, and close collaboration with vendors, these challenges were rectified, resulting in smoother processing and reduced disruptions across branches and support units. This improvement significantly enhanced operational efficiency and user confidence.

Field operations also saw meaningful improvements during the year. Door-to-Door (D2D) banking processes were streamlined by addressing long-standing system bottlenecks, improving responsiveness and transaction handling efficiency. An additional 100 D2D agents were onboarded and provided secure system access, expanding service reach and strengthening customer engagement in field-based banking activities.

Customer service infrastructure was enhanced by transitioning call center operations to an ISO 27001-certified environment. This move strengthened information security controls, ensured stricter data confidentiality, and improved service reliability. The transition reinforces the Bank's commitment to safeguarding customer information while maintaining high service standards.

Looking ahead to ATM modernization, the Cash Recycle Machine (CRM) Project was initiated in 2025. This project aims to enhance branch efficiency, optimize cash deposits and withdrawals beyond standard banking hours, and reduce operational costs through automation. The initiative represents a strategic step toward improving customer convenience and operational effectiveness through technology-driven solutions.

The Bank's technological excellence was also recognized nationally. At the LankaClear 2025 Annual Awards Ceremony, the Bank was honoured with two Gold Awards for its outstanding performance in 2024: Gold Winner – Best LankaPay Card Implementer of the Year and Gold Winner – Best Common ATM Enabler of the Year. These accolades reflect the Bank's leadership in digital payment solutions and its continued commitment to innovation and operational excellence.

In summary, 2025 was a year of substantial achievement for the IT Department. The successful DR drill, ISO 27001 certification, CBS modernization, operational improvements, strengthened governance framework, and initiation of key modernization projects collectively demonstrate the Bank's commitment to resilience, security, and sustainable technological growth. These accomplishments position the Bank strongly for future digital initiatives and continued operational excellence.

MARKETING REVIEW



RDB Bank strengthened its marketing and brand positioning with a renewed focus on building deeper customer connections and enhancing brand relevance. Strategic campaigns were aligned with the Bank's development banking mandate, reinforcing its role in empowering rural economies, SMEs, and emerging entrepreneurs. The Bank expanded its use of integrated marketing channels, combining digital outreach with community-based engagement to improve visibility and trust. These initiatives further strengthened brand recognition, positioning RDB Bank as a committed partner in inclusive and sustainable financial growth.

The Regional Development Bank offers a comprehensive range of savings and fixed deposit products designed to meet the diverse financial needs of its customers. Through these tailored solutions, RDB ensures that individuals from all segments of society have access to formal financial services, thereby promoting greater financial inclusion across the country.

In addition, RDB offers loan facilities specially for MSMEs, supporting entrepreneurship, business growth, and sustainable livelihoods, all of which in turn contribute towards the country's economic development.

By aligning its products and services with customers' varying life stages and income levels, RDB empowers individuals nationwide to achieve their personal financial goals while advancing the broader objective of national economic empowerment.

RDB Deposit Products



RDB Kekulu – Minor Savings Account



RDB 4 teen plus Account



RDB Uththama Senior Citizen's Account



RDB Liya Saviya – Women's Savings Account



RDB Sahana Society Account



RDB Liya Saviya Plus Account



RDB Investment Account



RDB Fixed Deposit



RDB Max Fixed Deposit

RDB Loan Products



RDB Ran Sarana Pawning Facility



RDB Ran Piyasa Housing Loan



RDB Thilina Consumption Loan



RDB Ethera Isura Loan



RDB Detusavi Loan



RDB Leasing

SOCIETY AND ENVIRONMENTAL REVIEW



RDB Bank deepened its commitment to community development and environmental stewardship through enhanced grassroot-level engagement. A key milestone was the 40th Anniversary Exhibition, which showcased entrepreneurs funded and supported by the Bank, highlighting their growth journeys and contributions to local economies. The initiative reinforced RDB's long-standing role in empowering SMEs and rural enterprises. Alongside this, the Bank continued to promote financial literacy, sustainable livelihood development, and community-based initiatives, strengthening its position as a development partner driving inclusive and sustainable progress.

Corporate Social Responsibility – CSR

As key financial institution, the Bank plays a vital role in advancing social, environmental, and economic sustainability. Through well-designed CSR initiatives, RDB strives to generate long-term value for all stakeholders extending beyond financial performance to create meaningful and lasting positive impact.

15,000 Entrepreneur Development Programme

As part of the Bank's commitment to fostering inclusive economic growth and strengthening the MSME sector, an ambitious Entrepreneur Development Programme was launched in 2025 with the goal of developing 15,000 micro, small, and medium scale entrepreneurs across all districts of the country. This island-wide initiative was designed to identify, nurture, and empower aspiring business owners by equipping them with essential financial resources, technical knowledge, and ongoing advisory support.

By the end of the year, the programme had successfully supported 13,892 entrepreneurs, reflecting strong outreach and impactful implementation despite challenging economic conditions. To further enhance the sustainability and growth of these enterprises, a total of Rs. 28,364 million in loans was disbursed, enabling beneficiaries to expand operations, increase productivity, generate employment opportunities, and make meaningful contributions to local economic development.

Training and Capacity Building Initiatives

Recognizing that access to finance alone is not sufficient for long term entrepreneurial success, the Bank has complemented its financial support with a comprehensive range of training and awareness programmes aimed at strengthening entrepreneurial capabilities. Key initiatives have included training for Entrepreneurship Development Officers, external institutional awareness programmes, and district level entrepreneur training sessions designed to build practical business skills and enhance financial literacy.

Through this integrated approach combining financial assistance, structured training, and strategic partnerships the Bank continues to play a pivotal role in nurturing a dynamic and sustainable entrepreneurial ecosystem, contributing to national economic progress and community upliftment.



Entrepreneurship Development Officers Training Programme



Launching of 15,000 Entrepreneur Development Programme – Central Province, Kandy

Programmes to commemorate 40th Anniversary of RDB

The Regional Development Bank (RDB) conducted a series of special programmes from 25th to 27th July 2025 at the Bandaranaike Memorial International Conference Hall (BMICH), Colombo to mark its 40th Anniversary under the theme “මුල ඉඳහිම දැන් කෙතෙක්”.

Accordingly, a diverse range of activities was organized, including commemorative events and Corporate Social Responsibility (CSR) initiatives such as the issuance of a commemorative stamp, a Trade Fair showcasing entrepreneurs funded by the Bank, the Mehewara Harasara Entrepreneurship Award Ceremony, a talent show of RDB staff, the RDB Staff Quiz programme, and an Entrepreneurship Development Programme. These events were conducted with the active participation of RDB’s management, staff, and valued stakeholders. Together, they commemorated the Bank’s four decades of dedicated service and reaffirmed its steadfast commitment to empowering communities and strengthening partnerships across the nation.

Issuing of commemorative stamp to celebrate 40th landmark of the RDB



Trade fair of the RDB-funded entrepreneurs

RDB provided a distinguished platform for RDB-funded entrepreneurs to showcase their wide range of products and services during its 40th Anniversary celebrations, held from 25th to 27th July 2025 at the BMICH, Colombo. The accompanying trade fair offered these entrepreneurs a valuable opportunity to engage with potential clients, explore new market avenues, and strengthen business networks. Through this initiative, RDB reaffirmed its enduring commitment to promoting entrepreneurship, supporting the growth of small and medium enterprises, and contributing to the development and expansion of the local business ecosystem.



Mehewara Harasara Entrepreneurship Awards Ceremony

Certificates and awards were presented to entrepreneurs who distinguished themselves at the district, provincial, and national levels in recognition of their outstanding achievements under both Micro and Small & Medium Enterprise categories. These honours celebrated their entrepreneurial excellence, dedication, and contribution to business development, providing well-deserved recognition for their accomplishments and inspiring continued success.



Entrepreneurship Development Programmes



RDB Talent Show for RDB Staff



SOCIETY AND ENVIRONMENTAL REVIEW



RDB Quiz Programme for RDB Staff



Sport Meet for RDB Family Members

The RDB Welfare Society organized a Sport Meet for RDB staff and their family members in commemoration of the Bank's 40th Anniversary. The event was held on 9th August 2025 at the Alfred Peiris Grounds, Wennappuwa, fostering camaraderie, unity, and team spirit among the RDB family.



Donation for Kandy Hospital

With the generous contributions of RDB staff, RDB donated essential hospital equipment to the Surgical Unit of Kandy Hospital on 22nd November 2025. This initiative reflects the Bank's continued commitment to supporting the healthcare sector and serving the community.



HUMAN CAPITAL REVIEW

RDB Bank strengthened its focus on human capital development, supported by a highly qualified and capable workforce. Employee engagement initiatives were further enhanced to build a more inclusive, collaborative, and performance-driven culture. Greater emphasis was placed on continuous learning, leadership development, and capability building, reinforcing talent development as a key priority. The Bank continued to invest in upskilling and professional growth to align employee competencies with evolving strategic and operational needs, ensuring a future-ready and motivated workforce.

Manpower Strength

Behind every milestone and every community we serve, there is the dedication of our team. At the Regional Development Bank (RDB), our most valuable asset is our people—a talented and committed workforce whose expertise and passion for excellence continue to propel the Bank forward. Entrusted with the profound responsibility of driving socio-economic progress as a fully state-owned development bank, we know that our employees are more than just the backbone of our operations; they are the heartbeat of our innovation and the key to our sustainable future.

We believe that when our people flourish, so does the Bank. That is why we are dedicated to creating a work environment built on support, inclusivity, and empowerment. By investing deeply in their professional journeys, from leadership development to well-being initiatives, we nurture a culture where creativity and collaboration can thrive. This unwavering commitment to our people is what makes

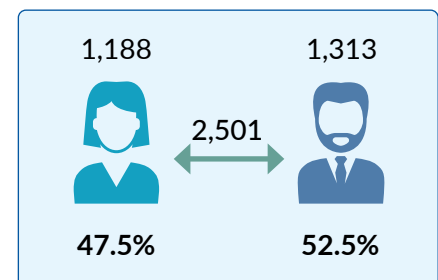
RDB a resilient and dynamic institution, allowing us to serve our nation with integrity while cultivating a workplace that professionalism and excellence at every level.

The summary of the manpower strength compared with the previous year is as follows.

Manpower Type	Headcount	
	2024	2025
Permanent/ Contract Employees	2,615	2,501
Business Promotion Assistants	490	495
Rural Leaders	83	78
Total	3,188	3,074

As of 2025, the total manpower strength of the Bank stood at 3,074 employees, reflecting the human resource capacity that supports the Bank's nationwide operations. Out of this total, 2,501 employees are permanent and contract

staff, forming the core workforce responsible for managerial, operational, and administrative functions across the institution. In addition, the Bank employs 495 Door-to-Door Business Promotion Assistants, who play a vital role in strengthening customer engagement, promoting banking services and supporting business development initiatives at the grassroots level. The Bank also engages 78 Rural Leaders, who contribute to community outreach and the promotion of financial inclusion in rural areas. This diversified workforce composition enables the Bank to effectively combine institutional expertise with strong field-level engagement in fulfilling its development-oriented mandate.



HUMAN CAPITAL REVIEW

The gender distribution of the Bank's workforce demonstrates a fairly balanced representation between male and female employees. Out of the total staff strength, 1,313 employees (52.5%) are male, while 1,188 employees (47.5%) are female. This near-parity reflects the Bank's commitment to encouraging gender inclusivity and equal employment opportunities within the Bank.

Headcount distribution by management level is given below. It shows the distribution of employees across various management levels within the Bank, comparing the headcounts in different managerial positions.

Management Level	Headcount Distribution	
	2024	2025
Corporate Management	7	6
Senior Management	30	21
Executive Management	137	128
Executives	940	968
Clerical and Allied	1,377	1,260
Other Grades	124	118
Total	2,615	2,501

Gender Profile

Description	Male	Female
General Manager/CEO	1	
Deputy General Manager	5	
Regional General Manager	5	1
Assistant General Manager	11	4
Chief Manager	26	12
Senior Manager	67	23
Manager Grade	445	523
Banking Assistants and Allied	640	620
Other	113	5
	1,313	1,188

The gender profile across different job categories reflects the participation of both male and female employees across various levels of responsibility within the Bank. Male and female staff members contribute to leadership, managerial and operational functions and departments.

Age Profile

Description	21 - 30 years	31 - 40 years	41 - 50 years	51 - 55 years	Above 55 years
General Manager/CEO			1		
Deputy General Manager			1	2	2
Regional General Manager			1		5
Assistant General Manager			2	4	9
Chief Manager			2	9	27
Senior Manager		5	35	18	32
Manager Grade	37	277	274	119	261
Banking Assistants and Allied	368	570	190	64	68
Other	12	32	38	24	12
	417	884	544	240	416

The 2025 age profile shows a balanced workforce, with the largest group aged 31-40 (884) and by 41-50 (544). The Bank also includes 417 employees aged 21-30, while 240 employees aged 51-55 and 416 above 55 represent the senior workforce, reflecting a mix of young talent, experienced professionals, and leadership.

Experience Profile

Description	More than 30 years	20 - 29 years	10 - 19 years	5 - 9 years	Less than 5 years
General Manager/CEO					1
Deputy General Manager	1		1	1	2
Regional General Manager	5		1		
Assistant General Manager	10	1	1	2	1
Chief Manager	33	3	2		
Senior Manager	45	15	28	1	1
Manager Grade	330	160	326	87	65
Banking Assistants and Allied	65	125	455	319	296
Other	7	19	56	15	21
	496	323	870	425	387

The Bank's experience profile reflects a well-balanced workforce with diverse service levels within the Bank. The largest group comprises 870 employees with 10-19 years of experience, followed by 496 employees with over 30 years of service, contributing strong institutional knowledge and leadership. Additionally, 323 employees have 20-29 years of experience, while 425 employees have 5-9 years and 387 employees have less than 5 years of service within the Bank, representing newer talent.

Career Advancement

We deeply value our workforce, not only for their technical skills and professional expertise but also for their diverse perspectives, creativity and dedication to our shared vision. At RDB, we believe that a motivated and empowered team is essential for delivering exceptional financial and advisory services that positively impact communities across the nation.

The Bank is fully committed to the continuous development of its employees, offering training programs aimed at enhancing staff attitudes, expanding knowledge and providing practical, hands-on learning in banking operations. These initiatives focus on building leadership capability activities. During the year 2025, 169 programs with an aggregate of 1,352 working hours of training were conducted for 5,127 participants. Total investment for training during the year was Rs. 28.52 Mn.

Performance Excellence

The Performance Excellence Awards Ceremony -2024, held on 15th March 2025, marked a significant milestone in the Bank's journey, symbolizing a renewed tradition of recognizing outstanding performance. This prestigious national-level event was organized to honour the exceptional contributions of Branch Managers, Assistant District Managers, District Managers and Regional General Managers, whose leadership and commitment directly drove the Bank's progress across all sectors in 2024.



Graced by distinguished dignitaries including the Chairman - Mr. Lasantha Fernando, members of the Board of Directors, the General Manager/

CEO - Mr. Janitha Priyashantha and the corporate leadership team, the ceremony reflected the Bank's deep appreciation for excellence and dedication. The presence of trade union representatives and staff across all levels further underscored the collective spirit of the institution.



While celebrating high performers, the event also conveyed a powerful message of humility, motivation, and continuous improvement encouraging all employees to strive for excellence and contribute towards elevating the Bank to greater heights.



Cost to Income Ratio Programmes and Outbound Trainings

88 Branch Managers from the North Central Province and Southern Province were brought together for a series of workshops aimed at addressing performance challenges at the branch level. During these sessions, managers were tasked with identifying the main reasons behind the reduction in income and the increase in costs at their respective branches, analyzing the root causes, and developing practical solutions to resolve these issues.

At the end of each month, the Deputy General Managers reviewed the monthly targets against actual achievements, providing continuous evaluation and feedback on branch performance.



In parallel to this, Outbound Trainings were conducted as part of the same initiative to further strengthen leadership capabilities and team cohesion among the branch management staff.

HR Board Sub-Committees

Aligned with corporate governance practices and the Directions of the Central Bank of Sri Lanka (CBSL), 02 separate sub committees were formed as Board Human Resources and Remuneration Committee (BHRRC) and Board Nomination and Governance Committee (BNGC).

The Board Secretary served as Secretary to both committees. In 2025, the Board Nomination and Governance Committee (BNGC) convened Nine (09) times, while the Board Human Resources and Remuneration Committee held seven (07) meetings.

SPECIAL EVENTS

Regional Development Bank has launched a wide range of community engagement and customer outreach programs that demonstrate its ongoing dedication to strengthening relationships with customers and supporting social and economic development. These meaningful initiatives have significantly enhanced the Bank's visibility and reinforced its reputation as a trusted, top of mind financial institution.

International Women's Day Programme

All RDB branches organised a series of meaningful events to commemorate International Women's Day, bringing together women entrepreneurs, customers, and staff to celebrate and support women's contributions in business and the community. These activities featured specialised awareness sessions and training programmes designed to empower and uplift women.



The main celebration was held at Gatambe Ground in Peradeniya under the theme “තිරසාර හෙටක් තැනුමට, ආයතන සවිසක් වන්නට”, in collaboration with the Suwasas Flower Association operating under the Royal Botanic Gardens, Peradeniya. These events underscored RDB's ongoing commitment to fostering women's development and promoting inclusive growth.

Sinhala & Tamil New Year Celebrations 2025

All Regional Development Bank branches joyfully celebrated Sinhala and Tamil New Year with their valued customers on 15th April 2025, continuing the Bank's cherished annual tradition. As part of the festivities, RDB organized its popular ‘පැයෙන්න පැයට බඩු මල්ල’ programme, where bags filled with essential daily items were distributed to lucky winners throughout the day. This initiative, held in conjunction with the Sinhala and Tamil New Year celebrations, aimed to bring joy and convenience to the community by offering practical gifts to enhance the festive spirit. As in previous years, the program was a significant part of the Bank's efforts to engage with and appreciate their customers during this culturally important time of the year.



World Children's Day 2025



Regional Development Bank organized a series of special events to commemorate World Children's Day, specifically designed for minors with the objective of inculcating a habit of saving from a minor age. These programmes were thoughtfully crafted not only to introduce children to essential financial concepts but also to make learning enjoyable, helping them develop a positive attitude towards building a secure financial future. By fostering these

disciplined savings habits early in life, the Bank aims to equip children with valuable financial knowledge that will benefit them throughout their lives.

Branch Relocations

In 2025, RDB undertook a significant initiative to enhance its customer service by relocating several of its branches to more spacious and strategically advantageous locations. Branches in Bibile, Aralaganwila, Ja Ela, Yakkalamulla, Devinuwara, Kahawatta, and Ahangama have all moved to new premises, designed to offer a more comfortable and accessible banking experience. These upgraded locations feature modern facilities, improved parking arrangements, and easy access to public transportation, ensuring greater convenience for both current and prospective customers.

Additionally, the Kanagarayankulam Branch has been closed and relocated to Puthukkudiyiruppu, allowing RDB to extend its reach and better serve the surrounding community. These improvements reflect RDB's ongoing commitment to delivering a seamless, efficient, and customer-centric banking experience, ultimately aiming to enhance customer satisfaction and convenience.



Devinuwara Branch



Puthukkudiyiruppu Branch

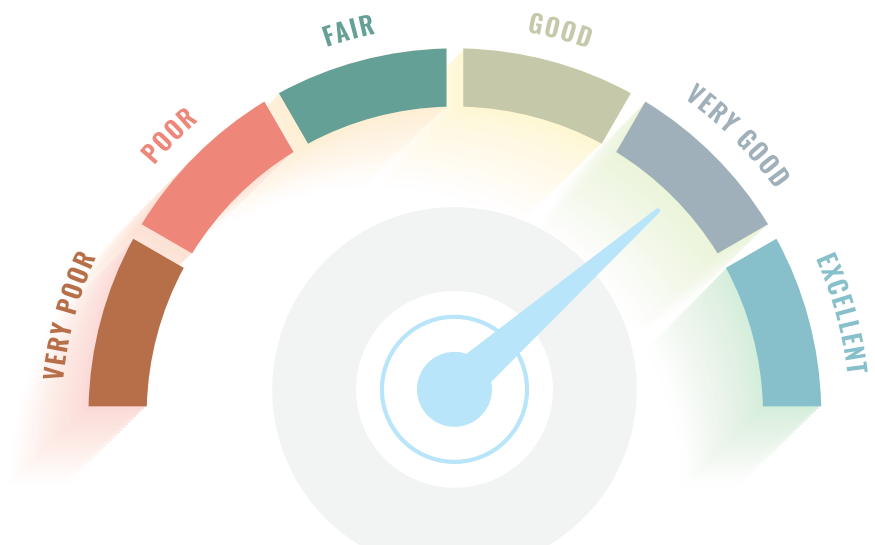
RISK MANAGEMENT STATEMENT

Operating in an environment marked by transition, recovery, and continued uncertainty, Regional Development Bank (RDB) has, throughout 2025, reinforced its commitment to robust and forward-looking risk management. The Bank has consistently embedded risk considerations into strategic and operational decision making to ensure institutional resilience, business continuity, and the sustainable delivery of its development focused mandate.

During the year under review, Sri Lanka's banking sector experienced gradual macroeconomic stabilization alongside persistent structural and sector-specific challenges. Credit risk pressures, evolving regulatory expectations, and global economic developments continued to shape the risk landscape. Against this backdrop, RDB adopted a prudent and proactive risk posture, recognizing that effective risk management is fundamental to preserving financial soundness, strengthening operational integrity, and maintaining stakeholder confidence.

As a licensed specialized bank dedicated to inclusive growth, rural development, and SME empowerment, RDB has approached risk management in 2025 as a strategic enabler rather than a purely defensive function. The Bank has sought to balance its developmental objectives with disciplined risk taking, ensuring that growth initiatives are supported by strong governance, transparent processes, and effective control mechanisms.

RDB's Risk Management Framework has remained aligned with the regulatory standards and supervisory expectations of the Central Bank of Sri Lanka (CBSL), including the Integrated Risk Management requirements set out in the Banking Act Direction No. 11 of 2007 and the applicable Basel III capital and liquidity standards. The framework has continued



to emphasize systematic identification, assessment, monitoring, and mitigation of material risks across credit, market, liquidity, operational, compliance, and strategic risk categories.

Through this comprehensive and structured approach in 2025, RDB has strengthened its resilience in a gradually improving economic environment, safeguarded stakeholder interests, and positioned itself to support national development priorities while ensuring long-term financial sustainability.

Risk Management Achievements in 2025

- Enhanced Risk governance structures were further strengthened through clearer delineation of roles and responsibilities across the Board, Board Integrated Risk Management Committee (BIRMC), senior management, and business units, enabling more effective oversight and accountability.
- Credit risk monitoring mechanisms were enhanced through tighter portfolio surveillance, early warning indicators, and strengthened post-disbursement monitoring, contributing to improved asset quality management and proactive risk mitigation.
- Capital adequacy and liquidity monitoring processes were reinforced in line with Basel III requirements, ensuring adequate buffers to absorb potential shocks while supporting sustainable balance sheet growth.
- Cyber security and fraud prevention measures were tightened to industry's best standards.
- Streamlined workflows were implemented to strengthen the efficiency and overall effectiveness of the Risk Management Department.
- Implemented ISO 27001 Information Security Management standard to strengthen information security management systems.
- Operational risk practices were strengthened through improved loss data collection, reporting, and analysis.

RISK MANAGEMENT STATEMENT

Enterprise Risk Governance

The ultimate responsibility for managing the Bank’s risks rests with the Board, which is supported by the Board Integrated Risk Management Committee (BIRMC) and other Board sub-committees. In addition, the Bank’s executive functional units are accountable for the effective execution of the risk management strategies approved by the Board. Expertise and guidance from executive committees, comprising senior management and corporate leadership, further strengthen the Bank’s ability to identify, assess, and manage risks across all operations.

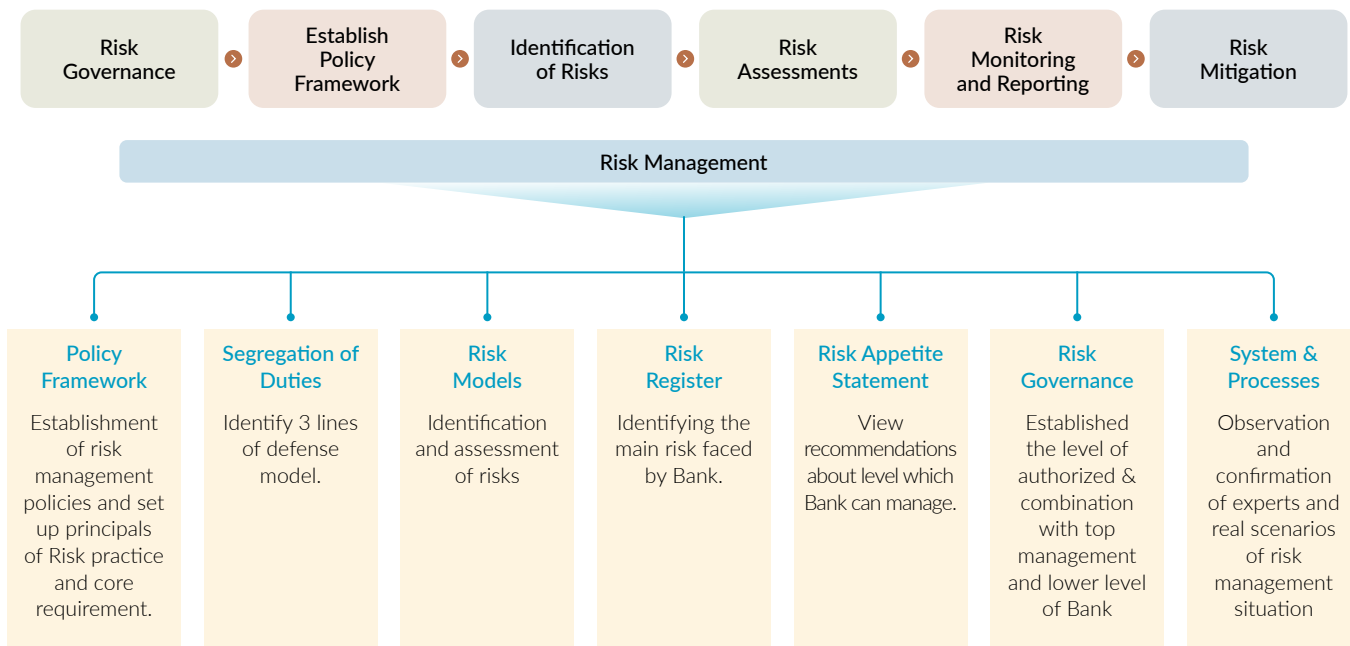
Risk Governance and Framework

The Bank has established an effective risk management framework to develop integrated risk management techniques for monitoring and managing the Bank’s risks and to assure that adequate capital is

maintained to meet various risks which the Bank is exposed to.

The Bank Risk Management Framework is to

- Ensure that risks accepted are within the Bank’s risk appetite and risk management profile.
- Facilitate high levels of risk awareness throughout the organization and independently monitor effective implementation of risk management framework.
- Establish the necessary organizational culture for the management and oversight of risk embodying values, beliefs, attitudes and practices that drive highly effective risk decisions.
- To define the desired risk profile in terms of risk appetite and risk tolerance levels.
- Establish functional responsibility for decisions relating to accepting, transferring, mitigating and minimizing risks and recommending the best ways of doing so.
- Evaluate the risk profile against the approved risk appetite on an ongoing basis.
- Estimate potential losses that could arise from risk exposures assumed, focus on close monitoring and follow up of the internal controls, stress testing on risk arrears.
- To periodically conduct stress testing to ensure that the Bank holds sufficient buffers of liquidity and capital to honors contractual obligations and meet unexpected losses.
- Evaluating, identifying and making recommendations on the overall risk situation of specific loan proposals in case basics.



Three Lines of Defense

Three-Lines of Defense has been established by RDB as a model structured approach for risk management. The model consists of the following factors.



Risk Governance Structure of the Bank

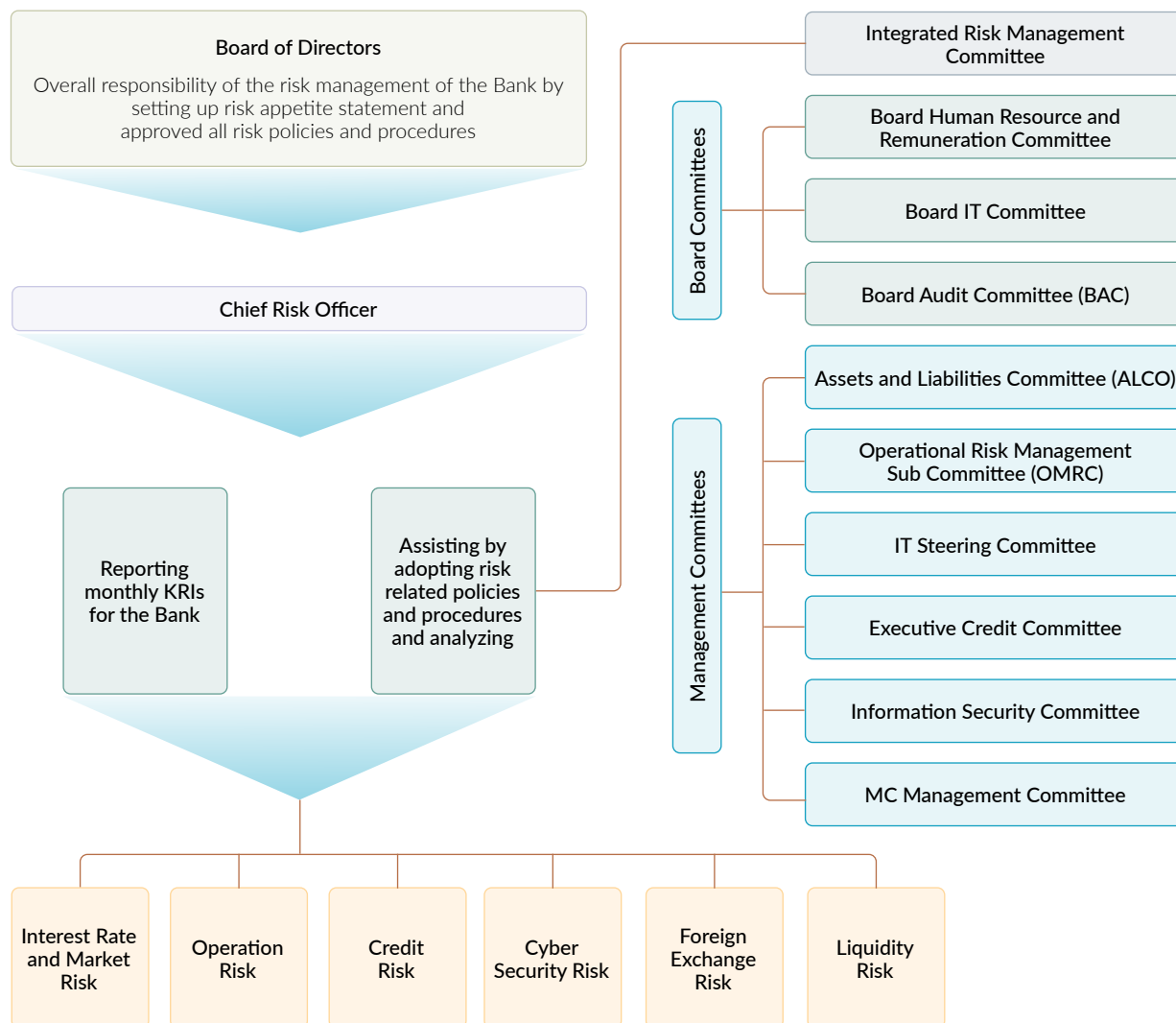
The Bank is committed to upholding high standards of governance in its Risk Management practices. The Risk Governance structure at RDB is comprehensive, beginning with the Board of Directors and cascading down to the branch level through well-defined risk management policies, procedures, committees, and delegated authority levels.

The Board of Directors holds the ultimate responsibility for the overall risk governance of the Bank. To support this responsibility, several specialized Board subcommittees are in place, including the Board Integrated Risk Management Committee (BIRMC), the Board Human Resources and Remuneration Committee (BHRRC), the Board IT Committee, and the Board Audit Committee (BAC). These committees play a vital role in overseeing various aspects of the Bank's risk management framework.

At the operational level, the Management Committee (MC) and the Chief Risk Officer (CRO), who operate independently from the Bank's business lines, are responsible for monitoring and managing day-to-day risks. The CRO provides regular and comprehensive risk reports to the Board, ensuring that risks across all business levels are appropriately identified, assessed, and mitigated.



RISK MANAGEMENT STATEMENT



Board-Level Oversight and Risk Governance Committees

To uphold strong corporate governance and ensure sound risk management, the Bank operates through several specialized Board Committees. Each plays a critical role in supporting the Board of Directors in fulfilling its oversight responsibilities.

Board Integrated Risk Management Committee (BIRMC)

The BIRMC is chaired by a Non-Executive Director and is tasked with overseeing the Bank's overall risk management framework. The Committee reviews and provides recommendations on the Bank's risk profile, risk management

policies, procedures, and the Internal Capital Adequacy Assessment Process (ICAAP). These policies and processes are developed, periodically reviewed, and presented to the Committee by the Chief Risk Officer (CRO) and the Risk Management Division.

Board Audit Committee (BAC)

The BAC is responsible for monitoring the Bank's internal controls and regulatory compliance on behalf of the Board. It also evaluates the effectiveness, accuracy, and independence of the internal audit function. The Committee ensures that internal audit practices are aligned with regulatory expectations and best practices.

Board Human Resources and Remuneration Committee (BHRRC)

The BHRRC is responsible for determining the Bank's remuneration policy, including salaries, allowances, and other financial benefits for Directors, the Chief Executive Officer (CEO), and key management personnel. The Committee sets performance targets for these individuals and periodically evaluates their achievements. Based on performance assessments, the Committee also determines any adjustments to remuneration and performance-based incentives. The CEO participates in all Committee meetings, except when matters pertaining to the CEO's own remuneration and performance are under discussion.

Board Nomination Committee

The Nomination Committee is responsible for implementing procedures for the selection and appointment of new Directors, the CEO, and key management personnel. It also reviews and makes recommendations on the re-election of existing Directors, taking into consideration their contributions to the Board and the discharge of their duties.

Board IT Committee

The IT Committee oversees the governance of the Bank's information technology strategy and cybersecurity framework. The Bank's IT Steering Committee, established in 2013 and chaired by the Chief Information Officer (CIO) comprises representatives from technical departments and the CRO. This Committee regularly discusses IT-related issues and submits recommendations and solutions to the Board.

Key initiatives undertaken to mitigate technology and cyber risks include:

- Appointment of an Information Security Management Officer to oversee cybersecurity functions.
- Regular vulnerability and penetration assessments.
- Strengthening of network security infrastructure.
- Enhancements in system availability, control mechanisms, and monitoring system downtime.

Management-Level Committees Supporting Risk Governance

In addition to Board-level oversight, several key management-level committees play an integral role in ensuring effective risk management across the Bank's operations. These committees are responsible for identifying, assessing, and mitigating various risk categories in alignment with the Bank's risk appetite and strategic objectives.

Executive Credit Committee (ECC)

The Executive Credit Committee is a management-level body responsible for overseeing credit risk as well as operational risks associated with the credit function. The ECC periodically reviews and implements the Bank's Credit Policies and approves credit facilities within its delegated authority limits. It also recommends larger exposures for approval by the Board of Directors, ensuring credit decisions are aligned with the Bank's risk framework.

Asset and Liability Management Committee (ALCO)

ALCO is tasked with managing the Bank's market and liquidity risks. Its primary objective is to maintain an optimal balance between assets and liabilities in terms of volume, maturity, rate sensitivity, and liquidity. ALCO oversees decisions related to capital structure, product pricing, funding strategies, and investment portfolios. The committee aims to achieve an appropriate risk/reward balance to support stable short-term profitability and long-term solvency.

Operational Risk Management Committee (ORMC)

The ORMC is responsible for overseeing operational risk across the Bank. This committee implements operational risk management practices to strengthen internal controls, reduce transaction errors, and prevent fraud. It plays a crucial role in minimizing operational losses and safeguarding the integrity and efficiency of the Bank's processes.

Information Security Committee (ISC)

The Information Security Committee ensures that the Bank's information security policy is effectively implemented and adhered to. It monitors the security of all information systems and critical data assets across the Bank, ensuring compliance with privacy regulations and maintaining customer trust. The ISC supports the Bank's efforts to proactively address cyber threats and data protection risks.

Management Committee (MC)

Chaired by the General Manager/Chief Executive Officer (GM/CEO), the Management Committee comprises the Bank's executive-level staff. The MC meets periodically and on an ad hoc basis to review operational reports and assess risks emerging from various business activities. It plays a vital role in risk mitigation, strategic decision-making, and the overall management of uncertainty across the Bank.

Investment Committee

The Investment Committee is a management-level body responsible for overseeing the Bank's investment activities in line with its strategic objectives and risk appetite. The Committee evaluates and approves investment proposals, monitors the performance of the Bank's investment portfolio, and ensures compliance with regulatory requirements and internal investment policies. It plays a key role in optimizing returns while managing associated risks such as credit risk, market risk, and concentration risk. The Committee also provides recommendations on asset allocation, portfolio diversification, and the identification of new investment opportunities that align with the Bank's long-term financial goals. Chaired by the General Manager/Chief Executive Officer (GM/CEO), the Management Committee comprises the Bank's executive-level staff.

The Risk Management Department (RMD)

The Risk Management Department (RMD) is a critical function of the Bank and is headed by the Chief Risk Officer (CRO), who operates independently of the Bank's business lines. The CRO is responsible for assisting the Board of Directors (BOD) and the Board Integrated Risk Management Committee (IRMC) in overseeing the Bank's overall risk management framework and the implementation of sound risk management techniques.

RISK MANAGEMENT STATEMENT

The department plays a central role in:

- Periodically reviewing and recommending updates to the Bank's risk appetite, risk profile, risk management strategy, and internal control framework.
- Formulating and revising risk policies, risk limits, and delegated authority levels in alignment with regulatory requirements and industry best practices.

The Bank recognizes several core risk categories and interconnected risk areas that are intrinsic to its operations. These risks have been identified, assessed, and are continuously monitored due to their potential to impact on the Bank's financial stability, operational continuity, and capacity for sustained business growth.

The Risk Management Department, in collaboration with relevant management-level committees, consistently monitors the Bank's exposure across these risk categories. It evaluates both internal performance metrics and the external operating environment to ensure that risk exposures remain within acceptable levels, enabling the Bank to respond proactively to emerging threats and maintain resilience.

Integrated Risk Management Framework

The Bank continued to operate within a robust Risk Management Framework, structured around key principles including the Three Lines of Defense, a Defined Risk Universe, a clearly articulated Risk Appetite, a comprehensive Risk Governance Framework, and advanced Risk Evaluation Models, including stress testing.

The Integrated Risk Management Framework (IRMF) supports the Bank in identifying, assessing, measuring, mitigating, monitoring, and reporting risks in a structured and consistent manner. This framework ensures that all significant risks, whether financial, operational, market-based, or strategic, are systematically addressed across all business units.

A top-down and cross-functional approach was maintained throughout the year, with risk management practices embedded in day-to-day operations and decision-making processes. This coordinated approach across all levels of the Bank played a pivotal role in effectively managing uncertainties and safeguarding the Bank's performance and stability during the year.

Risk Appetite and Tolerance

The Bank's Risk Appetite and Tolerance levels define the maximum level of risk the institution is willing to undertake in pursuit of its strategic and financial objectives. This framework is essential in guiding strategic decision-making and evaluating optimal growth opportunities while ensuring the Bank's long-term sustainability and financial resilience.

The Risk Appetite Statement is formally reviewed and approved by the Board of Directors on an annual basis. This review takes into consideration several dynamic factors, including:

- Fluctuations in the capital base,
- Macroeconomic conditions,
- Country and counterparty risks,
- Projected business growth
- Alignment with the Bank's Corporate Plan and stakeholder expectations.

While risk appetite reflects the broad level and types of risk the Bank is willing to accept to achieve its goals, risk tolerance defines the specific threshold of risk or level of uncertainty the Bank can withstand without breaching its risk appetite. Risk tolerance thus acts as a practical boundary, beyond which the Bank is unwilling to operate, ensuring prudent risk-taking and adherence to regulatory and internal controls.

Together, these elements form a core component of the Bank's risk governance, ensuring that risk exposures remain within defined parameters and support value creation for stakeholders.

Risk Management Policy Framework

The effectiveness of risk management fundamentally depends on the robustness of the Bank's risk management policies, procedures, and overall framework, which serve as strategic guidelines for managing risks at RDB. The Risk Management Department (RMD) has established comprehensive risk management policies, procedures, and frameworks, all of which are approved by the Board of Directors upon the recommendation of the Integrated Risk Management Committee (IRMC). These policies, procedures, and frameworks are subject to annual review by the RMD to ensure their continued relevance, adequacy, and alignment with the Bank's risk profile and regulatory expectations.



Policy	Coverage
Credit Risk Management Policy	Defines sectoral exposure limits and outlines methodologies for credit risk identification, assessment, mitigation, and control.
Operational Risk Management Policy	Provides guidance on the identification, mitigation, and management of operational risks, including the structure and role of the Operational Risk Sub-Committee.
Liquidity Risk Management Policy	Establishes principles and techniques for managing liquid assets and liabilities to ensure adequate liquidity at all times.
Interest Rate Risk Management Policy	Sets out frameworks and techniques for identifying, measuring, mitigating, and managing interest rate risk.
Stress Testing Policy	Defines the stress testing framework covering capital adequacy and liquidity under adverse but plausible scenarios.
Integrated Risk Management Framework	Provides the overarching risk management framework governing all risk categories across RDB.
Market Risk Management Policy	Outlines methodologies for identifying, measuring, mitigating, and managing market risk exposures.
Loan Review Policy	Establishes the loan review mechanism to ensure independent and ongoing assessment of credit quality.
Business Continuity Plan	Provides guidelines to ensure continuity of critical operations during disasters and disruptive events.
Acceptable Usage Policy	Defines guidelines for the appropriate and secure use of information and IT resources.
Information Security Policy	Establishes standards and controls for safeguarding information assets and IT systems.
Risk Appetite Statement	Defines the Bank's risk tolerance levels and acceptable limits to guide strategic and operational decision-making.
Model Validation Policy	Establishes a structured, transparent, and independent framework for the validation of credit risk models used in the computation of Expected Credit Losses (ECL).
Loan Upgrading Policy	A mechanism to upgrade the existing rescheduled loan based on the objective evidence to calculate impairment of the Bank

Strategic Overview of RDB's Risk Profile and Oversight Mechanisms

The risk environment in which the Bank operates is influenced by a broad range of internal and external drivers, including macroeconomic fluctuations, market volatility, regulatory developments, cybersecurity threats, and operational complexities. Within this dynamic context, effective risk management remains integral to our strategic vision fortifying financial resilience, protecting customer interests, and sustaining stakeholder confidence.

Throughout the past year, we have maintained a vigilant and proactive approach to identifying, assessing, and mitigating risks across a wide spectrum of domains. Each risk area presents both challenges to be addressed and opportunities to strengthen our institutional resilience and governance capabilities.



RISK MANAGEMENT STATEMENT

CREDIT RISK

Credit risk continues to remain a fundamental area of focus for RDB, given the Bank's development banking mandate and its exposure to a diverse range of customer segments across agriculture, SME, and rural sectors. The Credit Risk Management Policy, which is approved by the Board of Directors and reviewed annually, serves as the primary framework for managing credit risk across the Bank. The policy sets out the principles, procedures, and methodologies for identifying, assessing, monitoring, managing, and mitigating credit risk exposures.

RDB maintains a robust credit risk governance framework supported by Management-level committees and structured reporting lines, ensuring a layered and strategic approach to credit risk oversight. The Loan Review Team within the Risk Management Department

is responsible for conducting periodic reviews of the Bank's credit portfolio and submitting comprehensive reports to the Board of Directors. These reviews provide an overview of portfolio performance, emerging risk trends, sectoral exposures, and overall asset quality.

At the branch level, the credit portfolio is actively monitored and managed by Branch Managers and Loan Officers through continuous customer engagement, monitoring of repayment behaviour, and implementation of recovery actions where necessary. This decentralized credit monitoring mechanism enables early identification of warning signals and timely intervention at the operational level.

At the Head Office level, the Risk Management Department performs detailed portfolio analysis and submits a

monthly Key Risk Indicator (KRI) Report to the Board of Directors. This report includes analysis of the total credit portfolio, Non-Performing Advances (NPA) trends, loan loss provisioning, and sectoral and geographical credit risk concentrations.

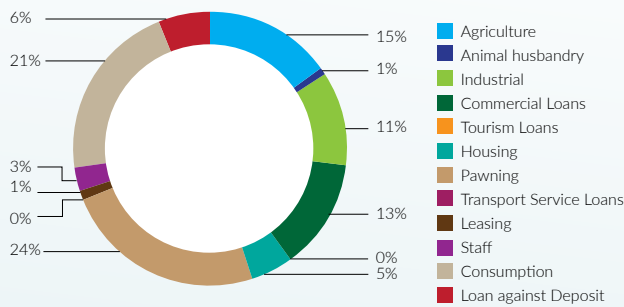
In addition, the Risk Management Department maintains a monthly watchlist of customers showing early signs of financial stress. This watchlist is reported to the Board to facilitate proactive credit risk mitigation and portfolio quality management.

This integrated credit risk management framework ensures that the Bank's credit risk exposures are effectively governed, continuously monitored, and controlled in line with regulatory requirements and the Bank's approved risk appetite.

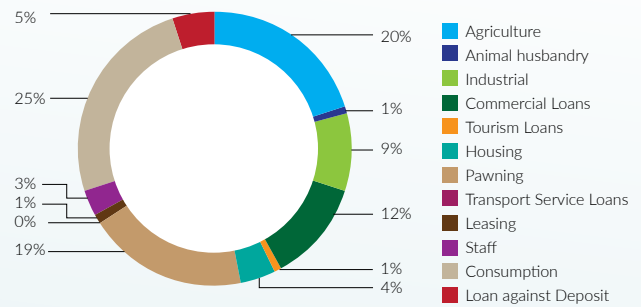
Gross loans and advances

Exposure by product

Total Loan Portfolio - 2024

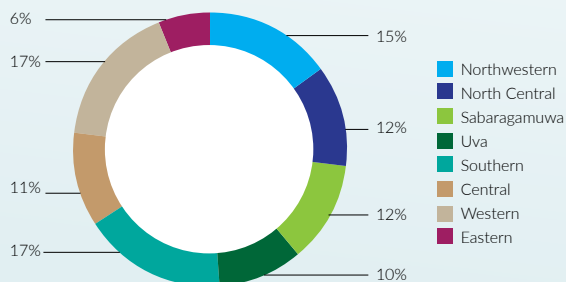


Total Loan Portfolio- 2025

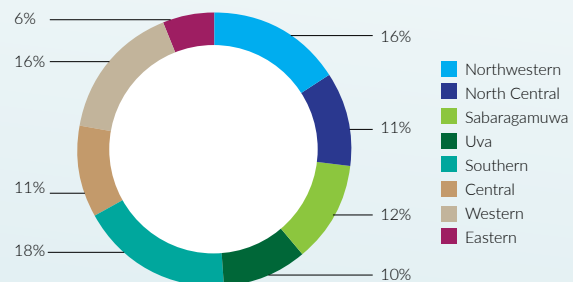


Exposure by geography

Region - wise Total Loan Portfolio - 2025



Region - wise Total Loan Portfolio - 2024

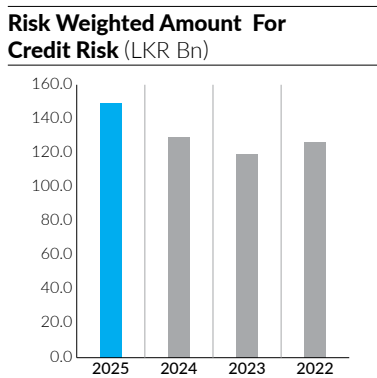


As at 31 December 2025, the Bank’s loan portfolio remained reasonably diversified across provinces, although moderate concentration was observed in several regions. The Southern Province recorded the highest share of total advances at 16.83%, followed closely by the Western Province at 16.66%, and the Northwestern Province at 14.94%. The Eastern Province reported the lowest portfolio share at 6.33% of total advances.

The Herfindahl-Hirschman Index (HHI) for geographical concentration stood at 0.134, indicating that the Bank’s loan portfolio is adequately diversified across regions with no excessive geographic concentration risk at portfolio level. However, relatively higher concentrations in the Southern and Western Provinces were observed compared to other regions, mainly due to the booking of several large exposures and development-related lending activities in these provinces.

The Bank continues to closely monitor geographical concentration risk as part of its credit risk management framework to ensure that regional concentration levels remain within the approved risk appetite limits and to promote balanced regional credit distribution in line with the Bank’s development banking mandate.

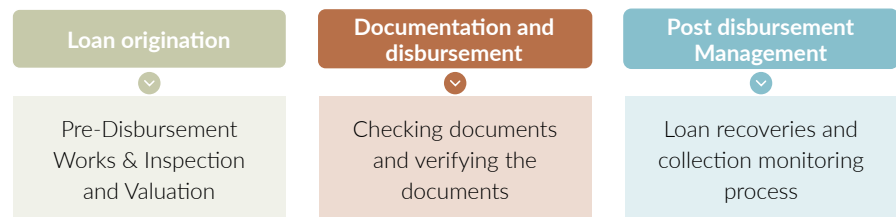
Risk weighted assets for credit risk



In line with the Central Bank of Sri Lanka Direction No. 1 of 2016, the Bank applies the Standardised Approach in the computation of Risk Weighted Assets (RWAs) for credit risk. This approach

requires the application of prescribed risk weights to net counterparty exposures across various asset classes, based on regulatory exposure categories and credit risk mitigation factors, thereby ensuring adequate capital is maintained against credit risk exposures

Loan Reviews Process for Quality Loan Portfolio Management



In response to the increasing complexity and risk exposures associated with credit security and loan administration, the Bank assigned the responsibility for credit administration and loan-related security management to the Loan Review and Monitoring (LRM) Team within the Risk Management Department. This arrangement was implemented to strengthen internal controls, enhance oversight, and ensure a more structured and independent review process over credit documentation, collateral management, and post-sanction monitoring activities.

The LRM Team operates under the Risk Management framework and is responsible for overseeing key aspects of the credit administration process, including the verification of credit documentation, monitoring the perfection of securities, reviewing compliance with approval conditions, and supporting post-disbursement monitoring. The team has been strengthened with experienced and professionally qualified staff, enabling the function to be carried out with improved efficiency, accuracy, and control.

The primary objective of assigning this responsibility to the Risk Management Department is to enhance the integrity and accuracy of credit documentation, ensure proper collateral management, and support effective post-sanction monitoring, thereby contributing to the mitigation of credit risk and supporting the overall quality and stability of the Bank’s loan portfolio.

Risk Rating

Since August 2016, the Bank has been operating a Customer Risk Rating System based on an internally developed, bank-specific rating model. Under this framework, borrowers are evaluated and assigned ratings across four risk categories, namely AAA, AA, A, and BBB, based on their financial strength, repayment capacity, business performance, and other qualitative and quantitative risk factors. In accordance with the Bank’s internal credit policy and relevant circular guidelines, customers receiving a rating below BBB are not considered eligible for new credit facilities.

At present, the risk rating process is carried out manually, involving data collection at branch level and assessments performed by Credit Officers and relevant approving authorities. While this process has supported credit risk evaluation over the years, the Bank is currently in the process of implementing a Loan Origination System (LOS), through which the customer risk rating process will be automated.

The automation of the risk rating process through the LOS is expected to improve consistency, efficiency, and accuracy in credit risk assessments by minimizing manual intervention and operational errors. Furthermore, the system-driven rating process will support more objective, data-driven credit decisions and strengthen the overall credit risk management framework of the Bank.

RISK MANAGEMENT STATEMENT

Risk Based Pricing

In 2016, the Bank introduced a Risk-Based Pricing (RBP) framework through the Risk Management Department with the objective of aligning lending rates with the underlying risk profile of borrowers. This framework was implemented to ensure that credit facilities are priced appropriately, taking into consideration the level of credit risk associated with each customer.

Under the Risk-Based Pricing model, the interest rate applied to a credit facility is determined based on the customer's internal risk rating, which is derived from the Bank's Credit Risk Rating System. Customers with stronger financial profiles and lower risk ratings are offered credit facilities at more competitive prices, while higher-risk customers are charged a higher risk premium to compensate for the additional credit risk exposure.

The implementation of risk-based pricing has enabled the Bank to improve risk-return alignment, promote better credit discipline among borrowers, and support sustainable lending practices. Furthermore, this approach contributes to safeguarding the Bank's interest margins while ensuring that pricing decisions are consistent, transparent, and aligned with the Bank's overall risk management framework.

Sectorial Limits and Managing Concentration Risk

The Bank has established approved sectorial limits for credit through credit risk management policy. The risk management

department of RDB periodically approved these limits according to economic and industry standards. Business units manage their individual credit portfolio according to these sectorial limits.

MARKET RISK

Market risk management refers to the process of identifying, measuring, monitoring and controlling the Bank's exposure to losses arising from adverse movements in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. The objective of market risk management is to ensure that the Bank's exposure to market risk remains within acceptable risk appetite levels while optimizing risk return performance.

Risk weighted assets for market risk



Risk Weighted Assets (RWAs) for market risk showed notable fluctuations over the period under review. Market risk RWAs increased from Rs. 162.4 Mn in 2022 to Rs. 307.6 Mn in 2023, primarily due to the

expansion of the Bank's mark-to-market investment portfolio. However, RWAs for market risk declined significantly to Rs. 18.6 Mn in 2024, reflecting a reduction in market risk exposures, particularly in fixed income securities classified under trading or fair value portfolios. During 2025, market risk RWAs increased again to Rs. 76.3 Mn due to a moderate increase in investments in fixed income securities in mark-to-market portfolios. The Bank continues to calculate RWAs for market risk under the Standardized Measurement Method (SMM) in line with regulatory requirements.

Interest rate risk

Interest Rate Risk in the Banking Book (IRRBB)

The Bank is exposed to Interest Rate Risk in the Banking Book (IRRBB) arising from fluctuations in market interest rates, which may impact on the Bank's Net Interest Income (NII) and overall earnings. This risk primarily arises due to mismatches between interest rate sensitive assets and interest-bearing liabilities as well as off-balance sheet exposures. Changes in market interest rates may therefore affect the Bank's future cash flows, interest margins and economic value of equity. The following table presents the interest rate sensitivity gap of the Bank's banking book, which is monitored regularly as part of the Bank's market risk management framework.

Particulars	Bucket 1	Bucket 2	Bucket 3	Bucket 4	TOTAL
	0 to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	
Rate Sensitive Assets (LKR 000)	47,296,186	43,593,191	41,874,285	67,925,060	200,688,723
Rate Sensitive Liabilities (LKR 000)	35,961,445	42,563,832	36,266,907	49,860,570	164,652,754
GAP (RSA - RSL) (LKR 000)	11,334,741	1,029,359	5,607,377	18,064,491	36,035,969

LIQUIDITY RISK MANAGEMENT

The Bank's Liquidity Risk Management framework is designed to ensure that the Bank operates within defined liquidity limits and remains in compliance with internal liquidity policies, regulatory requirements of the Central Bank, and established best practices. Liquidity risk refers to the risk that the Bank may encounter difficulty in meeting its financial obligations as they fall due, without incurring unacceptable losses, by delivering cash or other financial assets.

It is the Bank's policy to maintain a strong liquidity position above the regulatory minimum requirements, including maintaining the Liquidity Coverage Ratio (LCR) above 100% and the Net Stable Funding Ratio (NSFR) above 100%. To achieve this objective, the Bank continuously evaluates and monitors its stock of liquid assets and funding requirements on an ongoing basis.

During the year under review, the Bank maintained a strong liquidity position supported by prudent balance sheet management, regulatory support measures introduced in response to the prevailing economic conditions, and healthy deposit growth from both retail and institutional customers.

The Bank manages liquidity risk by closely monitoring key liquidity indicators under both regulatory requirements as well as internal liquidity risk management frameworks based on the stock approach and flow approach. Changes in assets and liquidity are regularly assessed against funding requirements to ensure that the Bank maintains an adequate level of

liquidity at all times in line with the Bank's risk appetite. Liquidity risk is further mitigated by maintaining adequate buffers of high-quality liquid assets and by diversifying funding sources.

	Regulatory requirements	2024	2025
LCR	100%	402%	207%
NSFR	100%	152%	130%

The main responsibility of managing the Bank's liquidity lies with the Assets and Liabilities Management Committee (ALCO). ALCO is an Executive Level Committee consisting of the Bank's Corporate and Executive level employees. The Committee meets at least once a month or more frequently on an as-needed basis. The following monitoring techniques and approaches are used by the Risk Management Department of RDB to manage and monitor its liquidity.

- Stock approach
- Flow approach
- Stress Testing on Liquidity

The Risk Management Department regularly carries out stress testing on Bank Liquidity under three scenarios, which is related to different severity conditions. According to timely financial market changes, other economics changes and policies changes. Every month, the Department evaluates the result of the stress testing and measures the possible impacts of unexpected situations on liquidity of the Bank. According to the result of stress testing, the Board of Directors has been informed by the Risk Management Department of an appropriate course of action and funding arrangements for such situations through ALCO.

Stock Approach

To ensure the adequacy of funding and effective management of liquidity risk within the Bank's approved risk appetite, the Bank monitors several key liquidity ratios under the stock approach. These ratios enable the Bank to assess its ability to meet short-term obligations and maintain sufficient liquid assets to withstand potential liquidity stress situations.

	2024	2025
Total Loans to Total Assets	73.71%	82.38%
Credit Deposit Ratio	87.43%	94.91%
Core Deposits to Total Assets	26.30%	27.93%
Total Equity to Total Assets	5.76%	6.92%

RISK MANAGEMENT STATEMENT

Flow Approach

Under the flow approach, the Bank utilizes liquidity gap analysis to assess and monitor liquidity risk. Liquidity gaps across different maturity buckets are regularly monitored against established limits, and the resulting data is used for sensitivity analysis and stress testing to evaluate the Bank's resilience under adverse liquidity conditions. Monitoring maturity gap positions also enables the Bank to anticipate potential liquidity shortfalls and take proactive measures to mitigate possible adverse liquidity scenarios.

Item	1 to 7 Days	8 to 14 Days	15 to 28 Days	29 Days to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Unclassified	Total
Inflows (LKR 000)	23,525,182	9,752,682	14,567,735	52,860,080	40,414,321	67,580,591	72,124,459	39,225,500	58,308,357	5,556,785	383,915,692
Outflows (LKR 000)	10,679,214	13,546,861	13,808,901	46,833,572	37,648,621	57,211,089	36,123,840	34,929,314	101,479,080	31,655,200	383,915,692
Gap (Mismatch)- (Inflows-Outflows) (LKR 000)	12,845,968	-3,794,179	758,834	6,026,508	2,765,700	10,369,502	36,000,620	4,296,186	-43,170,723	-26,098,415	0
Cumulative Gap (LKR 000)	12,845,968	9,051,789	9,810,623	15,837,131	18,602,831	28,972,332	64,972,952	69,269,138	26,098,415	0	0
Cumulative Gap as a % of Cumulative Outflows	120.3	37.4	25.8	18.7	15.2	16.1	30.1	27.6	7.4	11.4	
Cumulative Gap as a % of Total liabilities	3.3	2.4	2.6	4.1	4.8	7.5	16.9	18.0	6.8	11.4	

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from failures in internal procedures, people, systems, or from external events that affect the normal functioning of an organization. This type of risk arises from day-to-day business operations and may result from process failures, system breakdowns, employee mistakes, fraud, or natural disasters. Operational risk is broad in nature and can originate from both internal weaknesses and external disruptions. It also includes legal risk arising from non-compliance with laws and regulations, but it does not include strategic risk or reputational risk.

As of today, the Bank operates 272 branches across the country, supported by a workforce of over 2,500 staff members and robust technical infrastructure, including a CORE Banking System, ATMs, CDMs, and a comprehensive Human Resource Management System. Given this extensive operational footprint, operational risk remains an inherent component of the Bank's daily activities.

To address this, RDB established a comprehensive Operational Risk Management Policy in 2013, which was approved by the Board of Directors. This

policy serves as the primary framework for managing operational risk across the Bank and is reviewed periodically to ensure its continued relevance and effectiveness.

The Bank has implemented strong internal control mechanisms to monitor, manage, and mitigate operational risk events arising from its day-to-day operations. Since 2012, the Risk Management Department (RMD) has set up an Operational Risk Subcommittee under the supervision of the Chief Risk Officer. This subcommittee is responsible for identifying, assessing, and reporting operational losses. Periodic reports are submitted to the Board Integrated Risk Management Committee (BIRMC) and to the Board on both a quarterly and monthly basis.

With the growing complexity of banking operations and the rising threat of cyber security risks, especially in light of increased business volumes and digital transactions, the management of operational risk continues to be a critical focus area for the Bank.

The Operational Risk Policy

The Operational Risk Management Policy of Pradeshiya Sanwardhana Bank has been established in alignment with international

and local regulatory standards, and it is reviewed periodically to ensure continued relevance and effectiveness. The policy outlines the principles of operational risk management, and the governance structure required to manage such risks effectively across the Bank.

It has been developed in accordance with the following:

- Basel III Guidelines on Operational Risk Management
- Guidelines issued by the Central Bank of Sri Lanka (CBSL)

Operational Risk Management Executive Committee (ORMC)

The Operational Risk Management Committee (ORMC) is responsible for overseeing the Bank's operational risk profile in line with sound banking practices, applicable statutory requirements, and the defined risk appetite as outlined in the Bank's Risk Appetite Statement (RAS). The Committee convenes on a monthly basis to review operational-level risk issues across the Bank and to recommend appropriate solutions and mitigation measures to address the identified concerns.

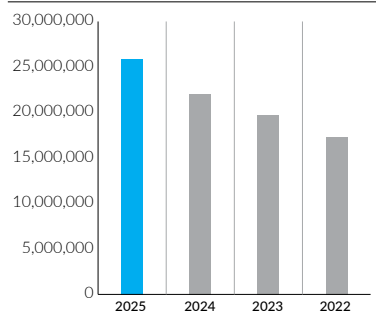
Business Continuity Plan (BCP) and Disaster Recovery (DR) Policy

The Bank has established comprehensive and up-to-date Business Continuity Plan (BCP) and Disaster Recovery (DR) policies to mitigate operational risk events in unforeseen situations. These policies are regularly reviewed and updated based on the outcomes of periodic DR and BCP drills conducted to test their effectiveness and readiness.

Risk Weighted Assets for Operational Risk

In compliance with CBSL Direction No. 01 of 2016, the Bank currently applies the Basic Indicator Approach (BIA) for the calculation of capital required to cover operational risk. Concurrently, the Bank is undertaking necessary initiatives to meet the qualifying criteria for adopting more advanced approaches for the measurement of operational risk capital.

Risk Weighted Amount for Operational Risk (LKR 000)



RWAs computed using BIA for Operational Risk is 14.77% of the total RWAs of the Bank in 2025.

Fraud Risk Management

Fraud Risk Management refers to the framework of policies, procedures, controls, and monitoring mechanisms implemented to prevent, detect, investigate, and respond to fraudulent activities. The Bank manages fraud risk through strong internal controls, segregation of duties, whistleblowing mechanisms, staff awareness programs,

periodic fraud risk assessments, and prompt investigation of suspected fraud incidents. This structured approach ensures that fraud risks are identified early and appropriate corrective actions are taken to minimize potential losses.

Whistleblowing Policy

The Bank maintains a formal whistleblowing mechanism to report suspected staff fraud, misconduct, and policy violations. Reports can be made confidentially, and all complaints are independently investigated. This process supports a strong ethical culture, enhances internal controls, and assists in preventing and detecting fraudulent activities.

Information Risk and Cyber Risks

This section refers to the usage of computer system in the Bank operations, reconciliation of books of accounts and storage and retrieval of information and reports. Cyber risks arise from cyber-attacks or breaches to systems, network or databases resulting in loss of customer data, disruption to operations or reputation damage. Up to the end of 2014, the Bank worked on four different IT platforms. RDB is a centralized IT solution and provides several digital banking services to the customer segments. Increasing digitalization also increases the information and cyber risk of the Bank operation. The following are a few digital platforms which have been provided to the Bank customers and the employees at present.

ATM networks facility and VISA

Since 2015, RDB has facilitated ATM networks for the customers all over the country connected with the LankaPay network and its own ATM centers. Initial step was performed for the Bank VISA card project.

Customer Depository Machines (CDM)

Currently RDB has facilitated their customers through Customer Recycling Machines (CRM)

Human resources management system

The Bank operates with a human resources management system to manage its employee database and payroll.

QR code

The Bank has been providing the QR payment system facility to Bank customers since 2023.

Online banking app

The Bank is in the process of introducing the online banking app to provide speed and modern services to the Bank customer

ALM system

From 2023, the Bank has a facility of ALM system to ensure the compliance activities of the Bank and internal control of the Bank.

The recovery management system

The Bank is in the process of implementing the RMC within the Bank to minimize the credit risk of the Bank.

IT Governance Structure

IT steering committee

This committee is the major governing structure of the information and the information systems of the Bank. The Bank established an IT steering committee in 2013 headed by CIO of the Bank which represents all technical people and CRO. The committee periodically discusses all IT related issues in the Bank and make recommendations and solutions to the Board of Directors. Following risk mitigation, monitoring and reporting techniques are used by the Bank to maintain strong risk management in IT.

IT security policy

Updated and clearly defined IT related policies are maintained by the IT Department by complying with the regulator and the Chief Information Officer is the responsible person to maintain these policies.

RISK MANAGEMENT STATEMENT

Regular IT vulnerability assessments

VAPT testing which is done by the independent party is one of the methods to mitigate the security risk related to IT operations.

IT audits

Information technology audit which is done by independent parties.

The Information Security Management System (ISMS)

Since the year 2015, Bank ISMS function has been in operation under the supervision of Chief Risk Officer of the Bank to monitor and mitigate the operational risk on data and information of the Bank and to enhance the quality of the information and the data which are available in the Bank. The Bank Information Security Officer (ISO) is the responsible person for the information security of the Bank and to maintain and approve information security and acceptable usage policies to maintain internal control measures on information.

Information security committee

Since 2022, the Bank has established the information security committee to comply with regulatory framework on technology risk management and resiliency for license Banks 2021.

Compliance Risk Management

The Management of the Bank places great emphasis on ensuring that the Bank is moving in concurrence with its statute and the rules and regulations imposed by the monetary authority as well as the other legal/ government entities in order to avoid failures or breaches of such obligations towards the Bank. The key objectives of the Compliance Officer are to ensure the internal controls/ regulatory requirements are complied with. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

This may lead to regulatory sanctions, financial penalties, disruptions in business, operational and reputation damage. The Bank's compliance function falls under the purview of the IRMC headed by AGM Compliance. In order to achieve this objective, he monitors and assesses the compliance requirements and submits quarterly reports on the compliance status of the Bank to the IRMC for review. The Compliance Officer also overlooks the timely submission of necessary statutory reports of the Bank to the regulator. The Bank embraces modern and innovative strategies for risk assessment together with an effective governance framework to address the compliance risk the Bank ensures safety and soundness to keep the financial stability and the manner in which they conduct their business.

- Identifying and ensuring timely review of applicable policies and procedures which are granted by authorized parties.
- Assessment conducting compliance on branches, divisions, and products of the Bank.
- Conducting awareness through training sessions.

Reputational Risk Management

Reputational risk is the risk of potential damage to the Bank's image, brand value, and stakeholder confidence arising from negative public perception of its business practices, products, services, or operational activities. Such risk may arise from poor customer service, regulatory non-compliance, unethical behaviour, operational failures, cyber incidents, or adverse media coverage. Effective management of reputational risk is essential to maintain public confidence and protect the Bank's long-term sustainability.

The Bank manages reputational risk through a structured framework that emphasizes ethical business practices, strong corporate governance, transparent communication, and proactive stakeholder engagement. Reputational risk management is integrated into the overall

Enterprise Risk Management framework to ensure that reputational considerations are incorporated into business decisions, risk assessments, and strategic planning processes.

The Bank safeguards its reputation and brand value across all customer touchpoints through well-established policies, procedures, internal controls, and risk management best practices. These measures are designed to improve service quality, strengthen customer relationships, and maintain public confidence in the Bank's operations.

The Marketing Division continuously monitors media coverage, public communications, and social media platforms to identify any negative publicity or reputational threats. Appropriate and timely actions are taken to address such issues in order to minimize potential reputational impact.

The Bank maintains a zero-risk appetite for reputational losses, recognizing the importance of maintaining public trust and confidence. As part of the risk governance structure, the Risk Management Department, functioning as the second line of defense, regularly monitors reputational risk indicators and reports any concerns to the management for appropriate corrective action. Reputational risk is also assessed through a scorecard-based model as part of the Internal Capital Adequacy Assessment Process (ICAAP).

CAPITAL RISK MANAGEMENT

The Bank maintains a strong capital base to comply with regulatory capital requirements, safeguard the interests of depositors and creditors, support future business growth, and deliver sustainable returns to shareholders. Maintaining adequate capital also enhances the Bank's financial stability and ability to withstand adverse economic conditions.

The Bank's capital management framework focuses on maintaining capital adequacy above the minimum regulatory requirements while optimizing the risk-return profile of the Bank. The Bank

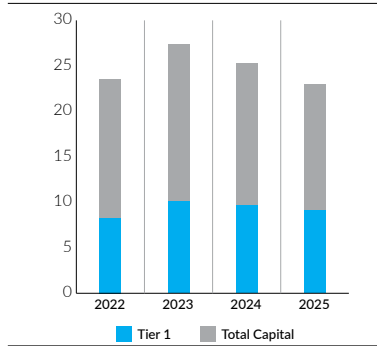
continuously monitors its Risk Weighted Assets (RWA) composition, capital ratios, and changes in the risk profile to ensure efficient utilization of capital and long-term financial sustainability.

The capital management process is aligned with the guidelines and regulatory requirements issued by the Central Bank of Sri Lanka (CBSL), and capital planning is integrated with the Bank's strategic planning, budgeting, and risk management processes to ensure that sufficient capital is available to support business operations and future expansion.

Capital Adequacy Ratio

Ratios%	Regulatory minimum	2024	2025
Tier 1	8.50%	9.65%	9.79%
Total Capital	12.50%	15.66%	14.50%

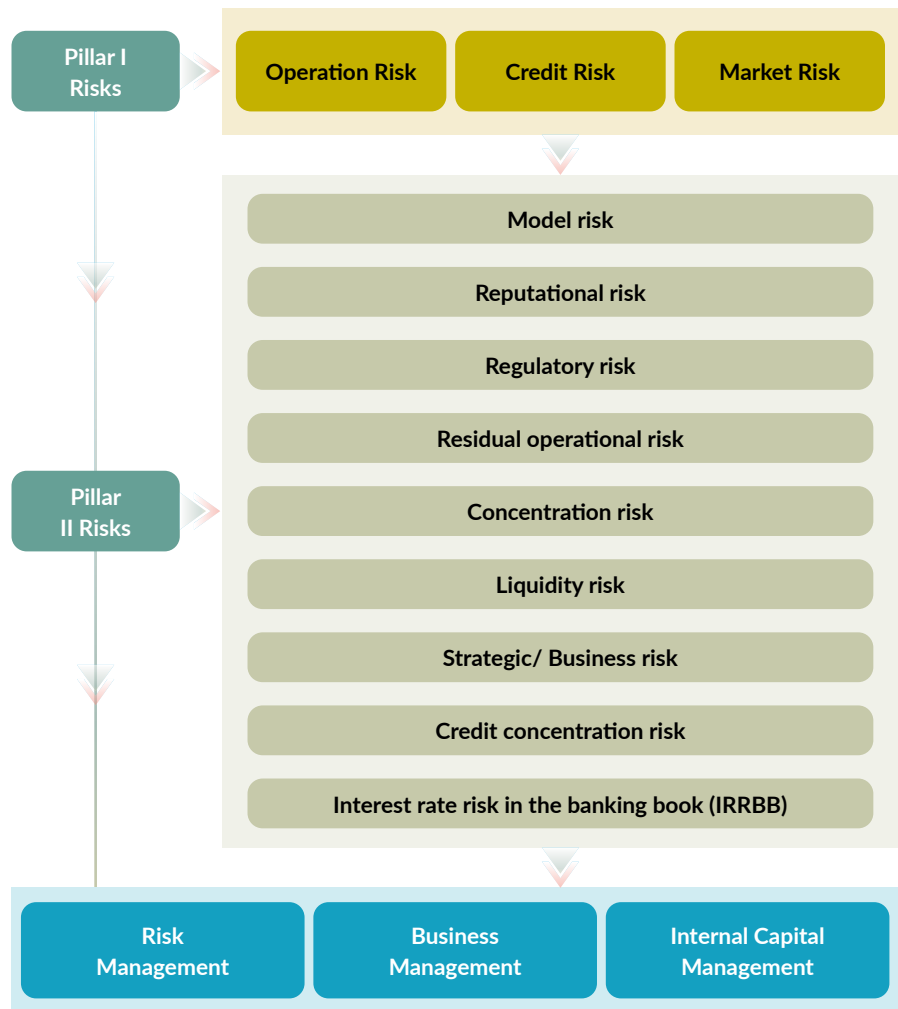
Capital Adequacy Ratio (%)



Internal Capital Adequacy Assessment Process (ICAAP) of RDB

Pradeshiya Sanwardhana Bank has carried out its annual Internal Capital Adequacy Assessment Process (ICAAP) in accordance with the Central Bank Direction No 1 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks and Licensed Specialized Banks issued on 29th December 2016. Capital Adequacy is the adequacy of the Bank's aggregate capital in relation to the risks which arise from its assets and its Off-Balance Sheet transactions which cover operation,

credit and market risk related to the banking activities. Sufficiency of Capital is a feature of the Bank's going concern. Hence the objective of the annual ICAAP documentation is to ensure and forecast the minimum capital level which is related to risk assumed by the Bank for the next three years and maintain a capital buffer to absorb unforeseen future credit, market, and operational losses and other Pillar II risk. ICAAP helps to compute the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures in a stress situation and forecasts the capital buffer required to manage its stress situation.



LEGAL RISK

Legal risk is a main part of operational risk. Legal risk can occur due to lack of awareness or misunderstanding and misconducting the day-to-day operations of the Bank. This may include losses resulting from non-enforceability of contracts due to incorrect documentation and deficiencies in drafting, which may result in fines, penalties and punitive damages or a claim being made against the Bank, which may result in liability or loss. The Legal Division provides guidance to the business divisions and engages in strategic management of the legal risk of the Bank. The Legal Division proactively engages in identifying potential legal risks and issues in collaboration with other business divisions

RISK MANAGEMENT STATEMENT

and ensures that adequate and appropriate mitigatory measures are adopted to safeguard the Bank's interest.

During the current economic stress situation, the Bank experienced increasing legal risks due to clients failing to honour terms of settlements failing Bank to execute the writs & deferment of court cases across the year. The Bank has ensured the following internal controls to minimize the legal risk of the Bank.

- It is so important to use the complete and correct format of documents for every operation of the Bank. Among these, usage of correct credit security documents, loan applications forms, KYC documents, mortgage/guarantee bonds, other legal documents and insurance policies and other documents are very important.
- The Credit Administration Department and Legal Department communicated to the credit officers, branch manager and other related parties about the updated format and changes and closely supervised and advised on the changes above mentioned.
- Loan disbursements are subject to dual controls. The process ensures availability of funds as per customer requirement within the set internal controls.

Future Outlook of Risk Management at RDB



As the Regional Development Bank moves forward into 2026, the Risk Management function will continue to strengthen its role as a strategic partner in supporting sustainable growth while ensuring the Bank's overall stability and resilience. The evolving financial landscape, increasing regulatory expectations, technological advancements, and emerging risks such as cyber threats, climate risk, and economic uncertainties require a more proactive and forward-looking risk management approach.

The Bank aims to further enhance its enterprise-wide risk management framework by improving risk identification, measurement, monitoring, and reporting mechanisms across all risk categories. Greater emphasis will be placed on strengthening risk governance, improving risk data quality, and integrating risk management into strategic decision-making processes. The Bank will continue to refine its Risk Appetite Framework to ensure alignment with business strategy, capital planning, and liquidity management objectives.

In 2026, the Bank plans to strengthen its stress testing, scenario analysis, and capital planning processes in line with Basel III guidelines and regulatory directions issued by the Central Bank of Sri Lanka. These initiatives will support the Bank in maintaining adequate capital and liquidity buffers while improving its ability to withstand adverse economic and financial conditions.

Technology will play a significant role in the future of risk management at RDB. The Bank intends to enhance the use of data analytics, automation, and risk management systems to improve early warning signals, credit risk monitoring, fraud detection, and operational risk management. Digital risk management tools and improved reporting dashboards will enable timely and informed decision-making by management and the Board.

Human capital development will remain a key priority area. The Bank will continue to invest in training and professional development programs to enhance the knowledge and technical capabilities of staff in risk management, compliance, Basel regulations, cyber security, and data analytics. Building a strong risk culture across the organization will remain a key focus to ensure that risk management becomes a shared responsibility across all business units.

Looking ahead, the Bank will also focus on emerging risk areas such as climate risk, environmental and social risk, cyber security risk, and digital banking risks, ensuring that appropriate policies, frameworks, and monitoring mechanisms are in place to manage these risks effectively.

Overall, the Regional Development Bank aims to further strengthen its risk management framework in 2026 by adopting a more integrated, technology-driven, and forward-looking approach to risk management, ensuring long-term financial stability, regulatory compliance, and sustainable growth while continuing to create value for its stakeholders and the broader economy.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Directive	Reference
1. ULTIMATE RESPONSIBILITY AND ACCOUNTABILITY OF THE BOARD	
1.1. Responsibilities of the Board	
a. 1. The Board approval of the Bank's strategic objectives and corporate values in terms of bank's long-term goals.	Complied with :- The Board-approved Corporate (Strategic) Plan for the period 2025–2029 is currently in place. In addition, the Bank's strategic objectives are embedded within the annual budget, which is implemented on a yearly basis. These objectives are fully aligned with the Bank's strategic goals and corporate values. The Bank adopts a rolling Corporate (Strategic) Plan approach. At the end of each year, the existing plan is reviewed with the active involvement of the Chairman, the Board of Directors (BOD), and Corporate and Executive Management.
2. The Bank has communicated the Bank's strategic objectives and corporate values throughout the Bank.	Not Complied No evidences are found to prove that the Bank has communicated the Bank's strategic objectives and corporate values throughout the Bank.
b. 1. The Board approval of the overall business strategy of the Bank.	Complied with :- The Board-approved Corporate (Strategic) Plan for the period 2025–2029 outlines the Bank's overall business strategy.
2. The overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented.	Complied with :- Overall risk divided into individual procedures such as Liquidity Risk Management Policy, Interest Rate Risk Management Policy, Market Risk, Management Policy Risk, Credit Risk and risk management procedures have been prepared and approved by the Board with the recommendation of the Board Integrated Risk Management Committee and it is being reviewed periodically.
3. The overall business strategy contains measurable goals, for at least next three years.	The Corporate Plan for 2025-2029 includes clearly defined, measurable goals for the next five years.
c. i) The appropriate systems to manage the risks identified by the board are prudent and are properly implemented. ii) 1. The availability of the organisational chart that defines and establish three-line defense. 2. Risk management and compliance haven't any responsibilities that fall into 1st and 3rd line defense. 3. Internal audit functions has no responsibilities for 1st and 2nd line of defense. iii) Ensuring that the risk management, compliance and internal audit functions are properly positioned, sufficiently staffed and resourced to carry out the reponsibilities independently, objectively and effectively. iv) The BOD approved risk appetite that aligns with the strategies, capital and financial,	Complied with :- It is clearly reflects the three lines of defense. Organizational structure of the Bank has approved by the Board under Board paper BHRRC/2026/MO1/P06 dated 19 Jan 2026. The Board annually reviews and approves a Risk Appetite Statement (RAS) aligned to the Bank's strategic objectives, including defined thresholds, early warning indicators, and actions for limit breaches. Risk Appetite Statement was approved by the Board on 23 May 2025, under Board paper No.2025/4444. The following Board & BIRMC Papers serve as supporting evidence in this regard: Board Paper Nos. 2025/M06/P03, 2025/M07/P02, 2025/M07/P04, 2025/M07/P03, 2025/M07/P04 and 2025/4606. The Board has approved the Integrated Risk Management Policies and Procedures, which incorporate a continuous and prudent risk assessment process. These policies and procedures are subject to regular review by the Board Integrated Risk Management Committee (BIRMC).

Directive	Reference
v) The actions are properly identified and mentioned in the risk appetite statement with regards to limit breaches and check whether there is an escalation procedure to the Board of Directors.	The organizational structure clearly reflects the 3 lines of defense, with Risk Management and Internal Audit functioning strictly as the 2nd line without operational or audit responsibilities, while Compliance Division operates independently as the 3rd line with no involvement in 1st or 2nd line duties.
d. There is a policy to ensure that the Board is not dominated or significantly influenced by a director or a group of directors in a manner that is detrimental or prejudicial to the interests of the depositors, creditors, and the bank as a whole;	<p>Complied with :-</p> <p>The Bank has established policies and governance frameworks to ensure that the Board is not dominated or unduly influenced by any single Director or group of Directors in a manner that is detrimental or prejudicial to the interests of depositors, creditors, and the Bank as a whole.</p> <p>Appointment of the Board of Directors is provisioned under Section 11 of the Pradeshiya Sanwardhana Bank Act and it requires a proper mix of Independent and Non-Independent Directors which helps to prevent undue influences from single or group of Directors.</p> <p>In this regard, the Bank has implemented a Related Party Transactions Policy, which sets out clear procedures for identifying, reviewing, approving, and monitoring related party transactions.</p>
e. The board has approved and implemented a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers.	<p>Complied with :-</p> <p>A Board approved updated communication policy is in place, and it includes communication with all stakeholders, including depositors, creditors, shareholders and borrowers.</p>
f. The board has reviewed the adequacy and the integrity of the bank's internal control systems and management information systems.	<p>Complied with :-</p> <p>All Key Management Personnel, especially the DGM - Operation, are responsible for the establishing and updating of the internal control system of the Bank.</p> <p>Also, the Internal Audit Department reviews the adequacy and integrity of the internal control system and management information system of the Bank.</p> <p>Further, Internal audit reports are submitted to the Board Audit Committee (BAC) and major findings are submitted to the Board.</p> <p>There is a mechanism at the Bank to identify the accuracy of the Bank's internal control systems by the Board of Directors through the process over design and effectiveness of internal control over financial reporting.</p> <p>The Board Audit Committee is tasked with reviewing the adequacy and the integrity of the Bank's internal control system.</p>
g. The control systems for managing Related Party exposures and avoiding any conflicts of interest that may arise from related party transactions.	<p>Complied with :-</p> <p>The Bank has implemented a Related Party Transactions Policy, which sets out clear procedures for identifying, reviewing, approving, and monitoring related party transactions.</p> <p>The Compliance Department conducts quarterly reviews of related party exposures and submits its findings to the Board Integrated Risk Management Committee (BIRMC).</p>

CORPORATE GOVERNANCE

Directive	Reference
<p>h. The business continuity and disaster recovery plans are approved and in order during the Financial Year.</p>	<p>Complied with :- An approved Business Continuity Plan (BCP) with Disaster Recovery (DR) Procedure are in place. Those are lastly reviewed and approved by the Board.</p>
<p>i. Availability of the board approved remuneration policy.</p>	<p>Complied with :- A Board-approved Remuneration Policy is in place. Remuneration of the employees is done in accordance with the Board approved collective agreement; and the Directors remuneration is guided by the PED Circulars.</p>
<p>j. The Board has identified and designated key management personnel, an officers Performing Executive Functions of LCBs as defined in Banking Act Determination No 3 of 2010 as per Bank Supervision Dept. Guideline Ref 02/17/550/0002/003 on 2 December 2015.</p> <p>Identify and designate key management personnel, who are in a position to;</p> <ul style="list-style-type: none"> i. significantly influence over policies ii. direct activities, and, iii. exercise control over business activities, operation, and risk management. 	<p>Complied with :- The Board of Directors has identified and designated the officers performing executive functions including the General Manager as Key Management Personal and have been recommended by the BNC. The areas of responsibility and authority of Key Management Personnel (KMP) are clearly defined and properly documented in their respective Job Descriptions (JDs).</p>
<p>k. The board has defined the areas of authority and key responsibilities for the board directors and for Chief Executive Officer (CEO) and for the key management personnel.</p>	<p>Complied with :- The Board Charter clearly defines the scope of authority and the key responsibilities of the Board of Directors and the General Manager/Chief Executive Officer (GM/CEO). A Board-approved Charter is in place, and it is subject to review by the Board at least once every two years to ensure its continued relevance and effectiveness. The Board Charter was reviewed and approved by the Board.</p>
<p>l. The board has exercised appropriate oversight of the affairs of the bank by key management personnel, that is consisted with board policy.</p>	<p>Complied with :- The Board exercises appropriate oversight of the affairs of the Bank through the Board and its Subcommittees. Members of the Management Team are invited to attend Board meetings, as necessary, to provide clarifications and additional information to support the Board's deliberations and decision-making process.</p>
<p>m. The board has periodically assessed the effectiveness of the Board of directors' own governance practices, including:</p> <ul style="list-style-type: none"> (i) The selection, nomination and election of directors, CEO, and key management personnel; (ii) The management of conflicts of interests: and, (iii) Identification of weaknesses and implementation of improvements where necessary 	<p>Complied with :- The Board conducts an annual self-evaluation to assess its governance practices. The self-evaluations of the Board as of 31.12.2025 was recommended by the Nomination and Corporate Governance Committee. Self-evaluations of 6 Directors who have been served for full year have collected and maintained with the Board secretary.</p>

Directive	Reference
n. The board adopts a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied with :- The Board adopts an annual self-assessment process to be undertaken by each Director and maintains proper records of such assessments.
o. The board has a succession plan KMPs & CEO	Not complied with :- The succession plan is currently under process. However, the process has been delayed as internal promotions have been placed on hold.
p. The board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objective.	Complied with :- The Board conducts regular meetings to discuss and review the progress of corporate objectives and invites Key Management Personnel (KMPs) to provide additional information and guidance. KMPs are consistently present or called upon to participate in discussions at meetings of the Board and its Subcommittees on policies and other matters related to their areas of responsibility.
q. The board has taken measures and processes in place to understand the regulatory environment and that the bank maintains a relationship with regulators.	Complied with :- The Board has implemented measures and processes to stay informed about the regulatory environment and to maintain effective relationships with regulators. The General Manager (GM) attends all relevant forums organized by the Governor and the Director of Bank Supervision at the Central Bank of Sri Lanka (CBSL) to discuss matters pertaining to the Bank. The Compliance Officer (CO) submits regular compliance reports to the Board to ensure ongoing oversight and adherence to regulatory requirements.
r. The board has a process in place for hiring and oversight of external auditors.	In terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 33 of the Pradeshiya Sanwardana Bank Act (PBS Act), the Auditor General serves as the External Auditor of the Bank.
s. The bank has developed a process to monitor financial or non-financial benefits including incentives, gifts or funds from the employees, customers, suppliers, shareholders on any other stakeholder of the bank.	The Bank has established in 2026 and implemented a process to monitor financial and non-financial benefits, including incentives, gifts, or funds received from employees, customers, suppliers, shareholders, or any other stakeholders of the Bank.
t. The availability of policies and procedures to conduct in a ethical and professional manner.	In 2026, code of corporate governance has approved code of corporate governance for the Bank which emphasizes corporate culture, ethical conduct, and professional value. Board minute reference :-2025/MO7/P-15 The RDB Disciplinary Code is duly implemented (established in 2026) and in effect and Board Charters.
u. The action plan and status updates for the CBSL Statutory Examination reports. Ensure timely rectification of the supervisory concerns raised by the regulaor/s and for this purpose, the assistance of the relevent sub-committees shall be sought.	Complied with :- Progress Report of the latest Statutory Examination of the Central Bank of Sri Lanka (CBSL) are tabled at the Board meetings for information and necessary actions.

CORPORATE GOVERNANCE

Directive	Reference
v. The approved Whistleblowing policy and the content. <ul style="list-style-type: none"> i. the persons to whom the concerns can be escalated within the bank; ii. procedures for investigating legitimate material concerns raised by the employees; iii. procedures to ensure protection and anonymity of the employees who raise concerns due to any detrimental treatment or reprisal; and iv. alternative avenues for whistleblowing to regulators. 	Complied with :- A Board-approved Whistleblower Policy is in place. The policy has reviewed by and recommended by the BAC on 23 December 2025.
w. The bank's business strategies and ensure that policies are in place to assist businesses that are greener, climate-friendly and socially inclusive.	Complied with :- A Board-approved Sustainability Policy is in place.
1.2. Appointing Chairperson and CEO	
1. The board has appoint the chairman and the Chief Executive Officer (CEO)	Complied with :- The Board shall appoint a General Manager/CEO of the bank as per the PSB Act. Mr. E.A.D.J. Priyashantha was appointed as the Acting General Manager/Chief Executive Officer (GM/CEO) with effect from 06 June 2024 and served in that capacity until 26 May 2025. Mr. D.M.T.S. Kumara was appointed to perform the duties of General Manager/Chief Executive Officer (GM/CEO) on a cover-up basis with effect from 27 May 2025 and completed such duties on 22 September 2025. Mr. B.G.W.A. Kumara was subsequently appointed to perform the duties of General Manager/Chief Executive Officer (GM/CEO) on a cover-up basis with effect from 23 September 2025 and served until 10 October 2025. Dr. Asanga Bandara Tennakoon was appointed as the General Manager/Chief Executive Officer (GM/CEO) with effect from 13 October 2025 and continues to serve in this position to date. Mr. A.P.L. Fernando has been appointed as the Chairman by the Minister in charge of subject of Finance with effect from 04 October 2024 and continues to serve in this position to date.
2. The board has defined and approved functions and responsibilities of the chairman and the CEO.	Not complied The Chairman is a Non-Executive Director, while the General Manager functions as the executive responsible for the day-to-day management and operations of the Bank. However, the Chairman is involved in the signing of agreements, bonds, deeds, and other instruments on behalf of the Bank, in accordance with the decision of the Board Credit Committee meeting held on 30 November 2018, which is in line with Section 3 of the PSB Act which may appropriate the division of responsibilities between the CEO and Chairman. A Board Charter defining the respective responsibilities of the Chairman and the General Manager is in place.

Directive	Reference
1.3. Board Meetings	
<p>Confirm the Board has met at least twelve times a financial year at approximately monthly intervals (attending Board meetings physically at least on a half yearly basis).</p>	<p>Generally, the Board meetings are held twice a month. 17 Board meetings have been held during the year 2025.</p> <p>427 Board resolutions/papers had been referred to the Board of Directors during the year 2025.</p>
1.4. Board Procedures	
<p>a. The Board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular board meetings where such matters and proposals relate to the promotion of banking business, risk management and conduct of employees of the Bank.</p>	<p>Complied with :-</p> <p>A Board-approved process is in place in this regard and is incorporated into the Board Charter, which was last reviewed in 2025.</p> <p>Regular Board meetings are scheduled at the beginning of each calendar year, and the Board is informed accordingly to facilitate the submission of matters and proposals for inclusion in the agenda of regular Board meetings.</p>
<p>b. The board has given notice of at least 7 days for a regular board meeting to provide all directors an opportunity to attend. And for all other board meetings, notice has been given.</p>	<p>Complied with :-</p> <p>Notice of meetings is provided through the Annual Calendar at the beginning of each year.</p> <p>The agenda and Board papers for Board and Subcommittee meetings are circulated to Directors at least seven days prior to the meeting via a secure electronic platform (uploaded to the Board PAC), except in the case of urgent matters.</p> <p>Reasonable notice is given for any special meeting, and the consent of all Directors is obtained prior to scheduling such meeting.</p>
<p>c. The board has taken required action on directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the director's meetings through an alternate director, however, to be acceptable as attendance.</p>	<p>Complied with :-</p> <p>The attendance records submitted by the Board Secretary indicate that no such situation arose during the year 2025. Board members have been informed of the attendance requirements by the Board Secretary through the circulation of the applicable corporate governance rules.</p>
1.5. Appointing a Company Secretary	
<p>a. The board has appoint a company secretary who satisfies the provision of Section 43 read with Section 76H of the Banking Act No 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings to carry out other functions specified in the statutes and regulations.</p>	<p>Complied with :-</p> <p>The Secretary to the Board, whose credentials and qualifications comply with the provisions of Section 43 of the Banking Act No. 30 of 1988 and its amendments, as well as Section 19 of the Pradeshiya Sanwardhana Bank Act, is primarily responsible for providing secretariat services to the Board and performing other functions specified under the statutes and applicable regulations.</p> <p>The Secretary shall serve as a full-time officer.</p>
<p>b. The process to enable all directors to have access to advice and services of the company secretary.</p>	<p>Complied with :-</p> <p>All members of the Board have the opportunity to seek the advice and services of the Secretary to the Board, who is accountable to the Board for ensuring proper follow-up of Board procedures and compliance with applicable rules, regulations, directions, and statutes.</p>

CORPORATE GOVERNANCE

Directive	Reference
c. Whether any training courses are allocated to Directors and request for the evidence.	A training programme has been conducted for Board of Directors on 27th Nov 2025, with the agenda dated 07.11.2025.
d. The company secretary maintains the minutes of board meetings and there is a process for the directors to inspect such minutes	<p>Complied with :-</p> <p>The Board Secretary is responsible for maintaining the minutes of Board meetings, which are made available for inspection by any Director upon request.</p>
1.6. Maintenance of Board Meeting Minutes	
<p>The minutes of the Board meetings contain or refer to the following,</p> <p>a) A summary of data and information used by the Board in its deliberations.</p> <p>b) The matters considered by the Board,</p> <p>c) The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;</p> <p>d) The matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;</p> <p>e) The understanding of the risks to which the bank is exposed to, and an overview of the risk management measures adopted; and,</p> <p>f) The decisions and board resolutions</p>	<p>Complied with :-</p> <p>Board Minutes cover the following requirements,</p> <p>(i) Business decisions taken on specific subjects.</p> <p>(ii) Resolutions passed on special matters.</p> <p>(iii) Instructions and directives issued to management.</p> <p>(iv) Policy decisions and performance reviews.</p> <p>(v) Recommendations arising from Board Sub-Committee reports.</p> <p>(vi) Overview of risk management measures.</p> <p>(vii) Compliance with the Board's strategies and policies.</p>
1.7. Obtaining Independent Professional Advice	
<p>There are procedures agreed by the to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense.</p>	<p>Not complied</p> <p>Such procedure or a policy had not been observed.</p>
1.8. Managing Conflicts of Interest	
<p>a. There is a procedure to determine, report and to take appropriate action relating to directors avoid conflicts of interests, or the appearance of conflicts of interest.</p> <p>b. Check that a director has abstained from voting on any board resolution in relation to which he/she or any of his/her close relation or a concern in which a director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the board meeting.</p>	<p>Complied with :-</p> <p>These requirements are addressed in the Related Party Transaction Review Policy, which was reviewed in 2025.</p> <p>As per the policy, when a resolution is proposed at Board meetings on a matter in which a director has a personal interest, the director abstains from voting on that resolution.</p> <p>A director with a personal interest in any matter is also excluded from the quorum for the relevant agenda item.</p> <p>However, no such instances occurred during the year.</p>

Directive	Reference
<p>c. The board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship (including financial, business, family or other material/relevant relationships) , if any between the chairman and CEO and board members and the nature of any relationships including among members of the board.</p> <p>d. The approved policy document for Conflicts of Interests and ensure the content is aligned with the direction 1.8.d</p>	<p>Though the provision had been provided by the related party policy manual, evidence had not been found to prove such incident had been occurred in the proceeding year.</p>
<p>1.9. Requirement to inform on inability to meet obligations</p>	
<p>The board has forthwith informed the Director of Bank Supervision of the Situation of the Bank prior to taking any decision or action, if it considers that the procedures to identify when the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend pavements due to depositors and other creditors.</p>	<p>Although no such situation has arisen, the Board is fully aware of its obligation to inform the Director of Bank Supervision before taking any decision or action if the Bank is at risk of insolvency or is about to suspend payments to its depositors or other creditors.</p>
<p>1.10. Compliance with Prudential Requirements</p>	
<p>The board has ensured that the Bank capitalized at levels as required by the CBSL.</p>	<p>Complied with :-</p> <p>The Bank has maintained the Total Capital Adequacy Ratio (CAR) as determined by the Monetary Board, as well as the Total Tier 1 Capital Ratio for the year 2025.</p> <p>The Board ensures that the Bank remains adequately capitalized in accordance with the requirements of the Monetary Board, both in terms of the CAR and other prudential considerations. A Capital Augmentation Plan is submitted to the Board annually.</p> <p>The calculation of the CAR is also submitted to the Board along with the Bank's monthly financial statements.</p>
<p>1.11. Annual Corporate Governance Report</p>	
<p>The board publishes, in the Bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.</p>	<p>Complied with :-</p> <p>The Annual Report includes the Corporate Governance Report, which outlines the Bank's compliance with the Corporate Governance Directions issued by the Central Bank of Sri Lanka.</p>
<p>2. BOARD'S COMPOSITION</p>	
<p>2.1. Procedure for Appointing Directors</p>	
<p>a. 1. The policy document for the appointment of the new directors for the Board.</p> <p>2. The Board approved succession plan for the Board members.</p> <p>b. The procedure for the appointment of new directors to the board.</p>	<p>Complied with :-</p> <p>a)</p> <p>1. The procedure provides for the appointment of new Directors to the Board of Directors. Appointment of Board of Directors are done in accordance with the Section 11 (2) of the Pradeshiya Sanwardhana Bank Act</p> <p>2. Not Applicable.</p> <p>b) Procedures of the appointment of Board of Directors is available. As per the Director declaration, none of the Directors appointed as Directors of the Bank.</p>

CORPORATE GOVERNANCE

Directive	Reference																																												
2.2. Number of Directors																																													
a. The number of directors on the Board, which shall not be less than 7 and not more than 13.	<p>The Board has comprised of 10 Directors as of 31.12.2025. List of Board Directors are given below.</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Directorship Status</th> <th>Appointment Date</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. A. P. L. Fernando</td> <td>N/E & N/I</td> <td>4/10/2024</td> </tr> <tr> <td>2</td> <td>Mrs. S. Ramani Wijeratne</td> <td>N/E & N/I</td> <td>15/10/2024</td> </tr> <tr> <td>3</td> <td>Mr. K. Rathna Bandara</td> <td>N/E & N/I</td> <td>4/12/2024</td> </tr> <tr> <td>4</td> <td>Mr. P. A. Wijeratne</td> <td>N/E & N/I</td> <td>9/12/2024</td> </tr> <tr> <td>5</td> <td>Ms. P. R. Madurawala</td> <td>N/E & N/I</td> <td>9/12/2024</td> </tr> <tr> <td>6</td> <td>Mr. W. Ranaweera</td> <td>N/E & N/I</td> <td>15/01/2025</td> </tr> <tr> <td>7</td> <td>Mr. Chanura Jayantha Wijetillake</td> <td>N/E & Ind</td> <td>22/10/2025</td> </tr> <tr> <td>8</td> <td>Mr. Upul Lakshman Asoka Wickramasinghe Bandara</td> <td>N/E & Ind</td> <td>22/10/2025</td> </tr> <tr> <td>9</td> <td>Mr. Ranjith Kodituwakku</td> <td>N/E & Ind</td> <td>22/10/2025</td> </tr> <tr> <td>10</td> <td>Mr. Wasantha Nandasiri</td> <td>N/E & Ind</td> <td>27/11/2025</td> </tr> </tbody> </table>	No.	Name	Directorship Status	Appointment Date	1	Mr. A. P. L. Fernando	N/E & N/I	4/10/2024	2	Mrs. S. Ramani Wijeratne	N/E & N/I	15/10/2024	3	Mr. K. Rathna Bandara	N/E & N/I	4/12/2024	4	Mr. P. A. Wijeratne	N/E & N/I	9/12/2024	5	Ms. P. R. Madurawala	N/E & N/I	9/12/2024	6	Mr. W. Ranaweera	N/E & N/I	15/01/2025	7	Mr. Chanura Jayantha Wijetillake	N/E & Ind	22/10/2025	8	Mr. Upul Lakshman Asoka Wickramasinghe Bandara	N/E & Ind	22/10/2025	9	Mr. Ranjith Kodituwakku	N/E & Ind	22/10/2025	10	Mr. Wasantha Nandasiri	N/E & Ind	27/11/2025
No.	Name	Directorship Status	Appointment Date																																										
1	Mr. A. P. L. Fernando	N/E & N/I	4/10/2024																																										
2	Mrs. S. Ramani Wijeratne	N/E & N/I	15/10/2024																																										
3	Mr. K. Rathna Bandara	N/E & N/I	4/12/2024																																										
4	Mr. P. A. Wijeratne	N/E & N/I	9/12/2024																																										
5	Ms. P. R. Madurawala	N/E & N/I	9/12/2024																																										
6	Mr. W. Ranaweera	N/E & N/I	15/01/2025																																										
7	Mr. Chanura Jayantha Wijetillake	N/E & Ind	22/10/2025																																										
8	Mr. Upul Lakshman Asoka Wickramasinghe Bandara	N/E & Ind	22/10/2025																																										
9	Mr. Ranjith Kodituwakku	N/E & Ind	22/10/2025																																										
10	Mr. Wasantha Nandasiri	N/E & Ind	27/11/2025																																										
b. The Board composition during the year for female representation.	<p>Complied with :- There are two female representatives on the Board.</p>																																												
2.3. Executive Directors																																													
The number of executive director, including CEO does not exceed one-third of the number of directors of the board.	<p>Complied with :- There were no Executive Directors on the Board.</p>																																												
2.4. Non-Executive Directors																																													
Non-executive directors, shall be suitable professionals with credible track record of good conduct and integrity and have necessary knowledge, skills and experience to bring an independent judgment to effectively address issues of strategy, performance and resources and to contribute towards the sustainability of the bank.	<p>Complied with :- The Bank has a formal process for the appointment of Independent Directors. Directors have been appointed by the ministry and their independency had been declared by that letter. Viewed profiles of the Directors published in the annual report to verify the suitability.</p>																																												
2.5. Independent Directors																																													
a. At least half of the total number of directors shall be independent non-executive directors. Licensed banks shall comply with this Direction by 01.01.2027.	Only four Directors out of 10 were Independent as at 31/12/2025.																																												
b. Non-executive directors can be considered Independent if he/she,																																													
i) holds a direct and indirect voting and/ or non voting shareholding of more than 1 per cent of the bank;																																													
ii) currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 7(2) hereof, exceeding 10 per cent of the regulatory capital of the bank;																																													

Directive	Reference
<ul style="list-style-type: none"> iii) has been employed by the bank during the two-year period immediately preceding the appointment as director; iv) Currently has or had during the period of two years immediately preceding his/her appointment as director, a material business relationship with the bank. v) has a close relation who is a director or CEO or a member of the key management personnel or a material shareholder of the bank. For this purpose, a "close relation" shall mean the spouse or a dependent child. vi) represents a specific stakeholder of the bank. vii) is an employee or a director or a material shareholder or has a material business relationship in a company or business organization; <ul style="list-style-type: none"> a. which currently has a transaction with the bank as defined in Direction 7(2) of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or b. in which any of the other directors of the bank are employed or are directors or are material shareholders except for the appointments recommended by the financial sector authorities, or, c. in which any of the other directors of the bank have a transaction as defined in Direction 7.2, exceeding 10 per cent of regulatory capital in the bank. viii) Whether the individual is currently, or has been during the period of one year immediately preceding his/her appointment as director, serving as a consultant/ advisor or principal consultant/ advisor in the case of a firm providing consultancy to the bank; and, ix) currently is or has been during the period of one year immediately preceding his/her appointment as director, an engagement partner of a firm providing audit services to the bank. <p>c. The independent non-executive directors shall be expressly identified in all corporate communications that disclose the names of directors of the bank.</p>	

CORPORATE GOVERNANCE

Directive	Reference
2.6. Representation through Alternate Directors	
a. The company has appointed any alternate directors. If yes, confirm whether such representation is allowed in this Direction.	
b. In the event an alternative director was appointed to represent an independent director, check the person that appointed meet the criteria that applies to the independent director.	There was no provision for Appointment of alternate Directors in the Pradeshiya Sanwardhana Bank Act No.42 (2008).
c. Observe whether any existing directors of the bank are appointed as an Alternate Director to another existing bank as director.	
d. An individual appointed as an alternate director to one of the directors are appointed as an alternate director to another director in the same Board.	
2.7. Quorum for the Board Meetings	
The stipulated quorum of the bank includes more than 50% of the directors and out of this quorum more than 50% should include non-executive directors. (A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless more than one third of the number of directors present at such meeting are independent non-executive directors. Licensed banks shall comply with this Direction by 01.01.2026.)	<p>Complied with :-</p> <p>In accordance with Section 16 of the Pradeshiya Sanwardhana Bank Act, the quorum for Board meetings is five when the Board comprises seven directors, and six when the number of directors exceeds seven.</p> <p>All Board members are Non-Executive Directors.</p> <p>Attendance records for 2025 confirm that the required quorum was maintained at all Board meetings.</p> <p>All nominated Board members of RDB are Non-Executive Directors appointed by the Minister of Finance.</p>
3. SUITABILITY OF DIRECTORS	
3.1. Criteria to Assess Fitness and Propriety	
The CBSL approval letters and appointments of the directors in the bank.	Approval for fitness and propriety of the Director of Bank Supervision has been obtained for all Director appointments.
3.2. Additional Requirements for Suitability of Directors	
a) The age of a person who serves as director does not exceed 70 years.	(a) Complied with :- None of the Directors serving on the Board is over 70 years of age.
b) The total period of service of a director other than a director who holds the position of CEO, does not exceed nine years.	(b) Not applicable. None of the Directors exceed the service of 9 years.
c) If a person holds office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	(c) Complied with :- Based on their declarations, none of the Directors holds directorships in more than 20 companies.
d) Directors shall have sufficient time to carry out the responsibilities as the director of the bank.	
3.3. Cooling-Off Period	
Is there a cooling off period of six months prior to an appointment of any person as a director, CEO of the bank, who was previously employed as a CEO or a director of another bank.	Complied with :- As per the Affidavits of the Directors, Mr.W. Ranaweera and Mr. Ranjith Kodituwakku, who had been previously employed as a Director and CEO respectively in another Bank, were appointed to the Director Board of Pradeshiya Sanwardhana Bank after 6 months of cooling off period.

Directive	Reference
4. DELEGATION OF FUNCTIONS	
4.1. Division of Responsibilities	
<p>The DA limits of the Board and key management levels.</p>	<p>Complied with :- The Board shall delegate its authority to Board Sub-committees and the sub –committees make recommendations to the Board and shall have no authority to make decisions unless specifically delegated by the Board as may be appropriate. The Board shall approve the recommendations made by the Sub-committees as may be appropriate.</p>
4.2. Specific Matters for Board Decisions	
<p>TOR of the Board on how direction and control of the bank is addressed.</p>	<p>Complied with :- The manner in which the direction and control of the Bank are exercised by the Board is clearly set out, in the Board Charter. As per the Board decision taken on 22 October 2021 under the Board Paper No. 2021/2772, the Board shall review the Board Charter once in two years or when necessary. However, after the review conducted in 2023, the subsequent review was carried out in 2026, with a one year delay.</p>
4.3. Restrictions to Delegate	
<p>The Board shall not delegate any matters to a board Committee, CEO, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.</p>	<p>Complied with :- The Board takes the responsibility for any matters that are forwarded by sub-committees and key management personnel.</p>
4.4. Review of Delegation Process	
<p>The board review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.</p>	<p>Complied with :- The Board has a formal procedure on reviewing of TORs of sub committees according to the predetermined timelines. The Bank has established separate documented frameworks for the delegation of authority for each Division, as detailed below: Credit Division – The Delegation of Authority framework was reviewed and approved by the Board on 29 January 2025 (Board Paper No. 2025/4192). Procurement – Governed by the Procurement Manual issued in accordance with the Procurement Guidelines – 2024.</p>
5. THE CHAIRPERSON AND CEO	
5.1. Division of Responsibilities between Chairperson and CEO	
<p>The roles of chairperson and CEO is separate and not performed by the same individual. The division of responsibilities between chairperson and CEO shall be clearly established and set out in writing.</p>	<p>Complied with :- The positions of Chairman and Chief Executive Officer are held by two separate individuals. The Chairman serves as a Non-Executive Director, while the Chief Executive Officer acts as the executive responsible for the day-to-day management of the Bank's operations and overall business activities.</p>

CORPORATE GOVERNANCE

Directive	Reference
5.2. Suitability of the Chairperson	
<p>a) The chairman shall be an independent non-executive director. In the case where the chairman is not an independent director, check that the board designate an independent director as the senior director for a period not exceeding six month with suitably documented terms of reference. The designation of the senior director be disclosed in the Bank's Annual Report.</p> <p>b) Where a non-independent director is currently serving as the Chairperson, such director may continue to serve as the Chairperson for a further period not beyond 31.12.2027, subject to applicable laws and regulations including Direction 3.</p> <p>c) A Chairperson appointed after the effective date of this Direction shall be an independent non-executive director.</p>	<p>As per the details given, Chairman is Non-Independent up to 31/12/2025 and they have not appointed a Senior Director.</p>
5.3. Responsibilities of the Chairperson	
<p>a. The Chairperson shall:</p> <p>i) provide leadership to the board,,</p> <p>b. ii) ensure that the board works effectively and discharges its responsibilities and ensures that all key and appropriate issues are discussed by the board in a timely manner</p>	<p>The Board shall perform an evaluation through self-assessment process which provide evidence that Chairman,</p> <ul style="list-style-type: none"> • Provides leadership to the Board • Ensures that the Board functions effectively in discharging its responsibilities • All key issues are discussed by the Board in a timely manner. <p>Duties and responsibilities have not been delegated by the Chairman.</p> <p>The Chairman is a Non-Executive Director, while the General Manager functions as the executive responsible for the day-to-day management and operations of the Bank. However, the Chairman is involved in the signing of agreements, bonds, deeds, and other instruments on behalf of the Bank, in accordance with the decision of the Board Credit Committee meeting held on 30 November 2018, which is in line with Section 3 of the PSB Act which may appropriate the division of responsibilities between the CEO and Chairman.</p>
<p>c. A formal agenda is circulated by the company secretary approved by the chairman.</p>	<p>Complied with :-</p> <p>The agenda for each Board meeting is prepared and circulated by the Board Secretary in consultation with the Chairman.</p>
<p>d. The chairman ensures, through timely submission that all directors are properly briefed on issues arising at board meetings.</p>	<p>Complied with :-</p> <p>Matters to be discussed at Board meetings are circulated together with the notice of the meeting at least seven (7) days prior to the meeting, except in the case of urgent matters.</p>

Directive	Reference
<p>e. encourage all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the bank;</p>	<p>Complied with :-</p> <p>The Board's annual self-evaluation process provides evidence that it encourages all Directors to make active and meaningful contributions to the affairs of the Board, with the Chairman taking the lead in acting in the best interests of the Bank.</p> <p>The Self-Assessment for the year 2025 has been submitted by six (6) Directors who served throughout the year. The other four (4) members participated for only two Board meetings in 2025; Therefore, the Bank has expected to obtain their self-assessments within the first quarter of 2026.</p>
<p>f. facilitate the effective contribution of non-executive directors in particular and ensure constructive discussions between executive and non-executive directors;</p>	<p>Complied with :-</p> <p>The entire Board comprises Non-Executive Directors, and a formal self-evaluation process is in place to assess the effectiveness of their contributions.</p>
<p>g. Encourage all directors to make critical and constructive discussions at the Board meetings and ensure that dissenting views can be freely expressed and discussed within the decision-making process</p>	
<p>h. The chairman does not engage in activities involving direct supervision of key management personnel or any other executive duties whatever.</p>	<p>The Chairman is a Non-Executive Director and is not directly involved in the direct supervision of Key Management Personnel.</p> <p>The Chairman is authorized to sign agreements, bonds, deeds, and other instruments on behalf of the Bank, pursuant to the decision of the Board Credit Committee at its meeting held on 30 November 2018, in line with Section 3 of the PSB Act.</p> <p>The Chairman is a Non-Executive Director, while the General Manager functions as the executive responsible for the day-to-day management and operations of the Bank. However, the Chairman is involved in the signing of agreements, bonds, deeds, and other instruments on behalf of the Bank, in accordance with the decision of the Board Credit Committee meeting held on 30 November 2018, which is in line with Section 3 of the PSB Act. This may appropriate the division of responsibilities between the CEO and chairman.</p>
<p>i. There is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the board.</p>	<p>Pursuant to the Pradeshiya Sanwardhana Bank Act No. 41 of 2008, the Bank's shareholder composition comprises the General Treasury, Bank of Ceylon (BOC), People's Bank (PB), and National Savings Bank (NSB). The Board comprises members representing the shareholder Banks and General Treasury and it helps to maintain effective communication between shareholders. The Annual General Meeting (AGM) is also conducted annually with the participation of all shareholders where the effective communication is maintained between the Bank and the shareholders.</p>

CORPORATE GOVERNANCE

Directive	Reference
<p>5.4. Conduct of CEO</p> <p>a) The CEO has functioned as the apex executive-in-charge of the day-to-day management of the bank's operations and business.</p> <p>b) CEO shall not be appointed or nominated as an employee or a director of another licensed bank or any other company/institution/entity except as a non-executive director of a subsidiary or an associate company of the licensed bank.</p> <p>c) In the event CEO is appointed as a non-executive director of a subsidiary or an associate company of the licensed bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities as CEO</p>	<p>Complied with :-</p> <p>As per the functions and responsibilities of the CEO, the CEO/ GM acts as the executive officer responsible for the day-to-day management of the Bank's operations.</p>
<p>5.5 Suitability of CEO</p> <p>The person appointed as CEO shall be a fit and proper person to hold such position in terms of Section 44A and Section 76H of the Banking Act, and shall possess sufficient authority, stature, knowledge, competencies, and expertise in the core banking functions given the size, scale, diversity and complexity of operations of the bank.</p>	<p>Complied with :-</p> <p>Fit & Proper certification, affidavit, and CBSL approval are available.</p>
<p>6. BOARD COMMITTEES</p>	
<p>6.1. Requirements for the Board Committees</p>	
<p>Each licensed Bank shall have at least five Board committees as set out in the Directions.</p> <p>a) Each committee shall report directly to the Board.</p> <p>b) Board shall set out the authority of each committee, and in particular, whether the committee has the authority to act on behalf of the Board or simply has the authority to examine a particular issue and report back to the Board with recommendations.</p> <p>c) Each committee shall have a Board approved Terms of Reference.</p> <p>d) All committees shall appoint a secretary to inter alia arrange the meetings and maintain minutes, records in sufficient detail, under the supervision of the Chairperson of the committee. The minutes of all committees shall be submitted to the Board.</p> <p>e) The quorum of each committee shall consist of at least half of the committee members.</p> <p>f) The Board shall present a report on the performance of each committee, on the duties and roles at the annual general meeting.</p>	<p>The Bank has established the following 4 Board Sub-Committees, which report directly to the Board.</p> <ul style="list-style-type: none"> • Board Audit Committee • Board HR and Remuneration Committee • Board Nomination and Governance Committee • Board Integrated Risk Management Committee <p>a) As per the board charter each subcommittee shall report directly to the board.</p> <p>b) As per the Board Charter Board has the authority act on behalf of the Board.</p> <p>c) 04 sub committees are available.</p> <p>d) The Secretary to the Board serves as Secretary to all Sub-Committees and is responsible for maintaining minutes and related records under the oversight of the respective Chairpersons. Sub-Committee minutes and decisions are presented to the Board by the Board Secretary.</p> <p>e) It was observed that the quorum of the committee consists of majority of the committee members.</p> <p>f) A performance report on each Committee, detailing its roles and duties, is included in the Bank's Annual Report, which is subsequently submitted to the Annual General Meeting.</p> <p>The Related Party Transactions Review Committee has still not been established and the extended deadline was 01.01.2027.</p>

Directive	Reference
6.2. Audit Committee	
<p>a. The chairman of the committee is an independent director and is not the chair of the Board or any other Board committee and shall possess qualifications and experience in finance, accounting and/or auditing, with a membership of a recognized professional accounting body.</p>	<p>Not complied with :- Committee consists from 4 members and all are Non-Independent.</p>
<p>b. All members of the committee are non-executive directors and with a majority of independent directors.</p>	<p>Not complied with :- Committee consists from 4 members and all are Non-Independent while Non-Executive.</p>
<p>c. A majority of the members of the committee shall not be constituted by the members of the Integrated Risk Management Committee and vice-versa.</p>	<p>Complied with :- Two members of the committee of BAC are on the BIRMC.</p>
<p>d. The committee has made recommendations on matters in connection with:</p> <ul style="list-style-type: none"> i. The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii. The implementation of the Central Bank guidelines issued to auditors from time to time; iii. The application of the relevant accounting standards; and iv. The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed six years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term 	<p>The Auditor General acts as the External Auditor of the Bank as per the Article 154 of Constitution of the Democratic Socialist Republic of Sri Lanka.</p> <p>A Government Auditor attends the Board Audit Committee meetings by invitation. Applicable Government and Central Bank guidelines issued to auditors, along with relevant accounting standards, are reviewed and discussed during these meetings.</p>
<p>e. The committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with SLAS.</p>	<p>Complied with :- The independence and effectiveness of the Auditor General (AG) are guaranteed under the Constitution of Sri Lanka. The AG also ensures the independence of any auditors assisting him in conducting the audits.</p>
<p>f. The committee shall develop and implement a policy on the engagement of an external auditor to provide non-audit services that are permitted under the Guidelines issued by the Central Bank of Sri Lanka to External Auditors. The Committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:</p> <ul style="list-style-type: none"> (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; 	<p>Not applicable. The independence and effectiveness of the Auditor General (AG) are guaranteed under the Constitution of Sri Lanka. The AG also ensures the independence of any auditors assisting him in conducting the Bank's audit.</p>

CORPORATE GOVERNANCE

Directive	Reference
<ul style="list-style-type: none"> (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and, (iii) whether the nature of the non-audit services, the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the external auditor. 	
<p>g. The committee has discussed and finalized, the nature and scope of the audit, with the external auditors in accordance with SLAUS before the audit commences.</p> <ul style="list-style-type: none"> (i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal control over financial reporting; (ii) the preparation of the financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between firms where more than one audit firm is involved. 	<p>Complied with :-</p> <p>The scope and extent of the audit have been determined by the Auditor General referring to the relevant standards.</p>
<p>h. The BAC minutes to ensure that the committee has reviewed the accounting policies/systems and internal control frameworks.</p>	<p>Complied with :-</p> <p>The quarterly financial statements and policies relating to financial matters have been reviewed by the BAC.</p>
<p>i. The committee has a process to review the financial information of the bank, in order to monitor the integrity of the financial statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following,</p> <ul style="list-style-type: none"> 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 with :-</p> <p>The Board Audit Committee reviews the Bank's quarterly and annual financial statements, taking into account major judgmental areas, changes in accounting policies, applicable accounting standards, and other legal requirements.</p> <p>Further, the audited financial statements, along with all relevant disclosures, are submitted to the Board.</p>
<p>j. The committee has met the external auditors relating to any issue in the absence of the CEO and key management personnel with relation to the audit.</p>	<p>Complied with :-</p> <p>There was a closed-door meeting which was held during the BAC meetings on 23rd December 2025.</p>
<p>k. The committee has reviewed the external auditor's management letter and the management's response thereto.</p>	<p>The Management Letter, along with management's responses for the year 2024, was reviewed by the Board Audit Committee. Major issues have been discussed periodically.</p>

Directive	Reference
<p>I. The committee shall take the following steps with regard to the internal audit function of the bank,</p> <ul style="list-style-type: none"> i. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; ii. Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; iii. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; iv. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; v. The committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; vi. The internal audit function is independent of the activities it audits. 	<p>Complied with :-</p> <ul style="list-style-type: none"> i. The Audit Committee reviews and provides necessary recommendations regarding the adequacy of the scope, functions, and resources of the Internal Audit Department. The position of Chief Internal Auditor (CIA) was filled on 16 October 2025. ii. The Internal Audit Plan for the year 2025 was approved by the Board Audit Committee (BAC/2025/M01/P23). The Committee has also reviewed the progress of the Internal Audit Plan. iii. The Board Audit Committee (BAC) has reviewed the results of internal audits conducted by the Internal Audit Department across branches and departments, and has discussed the necessary follow-up actions where required. iv. No such appointments were made during the year. However, a process exists whereby appointments are approved by the full Board based on the recommendations of the BAC. v. The bi-annual, KPI- based performance of the AGM – Internal Audit was also reviewed. Reference: BAC/2025/M06/P09 dated 12 March 2025 & BAC/2026/M01/P14 dated 11 February 202 vi. According to the Bank's organizational structure, the Chief Internal Auditor (CIA) reports directly to the Board Audit Committee. The CIA operates independently, performing duties with impartiality and due care, and major observations are reported to the BAC.
<p>m. The minutes determine whether the committee has considered major findings of internal investigations and management's responses thereto.</p>	<p>Complied with :-</p> <p>The major internal audit findings and management responses were reviewed and discussed by the Audit Committee, which provided the necessary recommendations.</p>
<p>n. The committee has had at least two meetings with the external auditors without the executive directors being present.</p> <p>Other Board members, CEO, CIA, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Compliance Officer (CCO), any other key management personnel and a representative of the external auditors may attend meetings upon the invitation of the Committee for the relevant agenda item. However, at least twice a year, the Committee shall meet with the external auditors without the executive directors being present.</p>	<p>Complied with :-</p> <p>All Committees held a meeting with the External Auditor in the absence of the Executive Directors being present.</p>

CORPORATE GOVERNANCE

Directive	Reference
<p>o. The terms of reference of the committee to ensure that there is;</p> <p>(i) Explicit authority to investigate into any matter within its terms of reference;</p> <p>(ii) The resources which it needs to do so;</p> <p>(iii) Full access to information; and</p> <p>(iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.</p>	<p>Complied with :-</p> <p>The Terms of Reference of the Audit Committee encompass all of these areas.</p>
<p>p. The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>	<p>Complied with :-</p> <p>Seven committee meetings were held on 10 March, 20 May, 27 May, 29 July, 24 September, 11 November, and 23 December 2025.</p>
<p>q. The secretary of the Committee (who may be the company secretary or CIA) shall record and keep detailed minutes of the Committee meetings.</p>	<p>Complied with :-</p> <p>The Board Secretary serves as the Secretary to the Audit Committee. However, no alternate appointment has been made to perform these duties in the absence of the Board Secretary.</p>
<p>r. The Committee shall:</p> <p>(i) ensure effective implementation of the Board approved whistleblowing policy; and,</p> <p>(ii) ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.</p>	<p>Complied with :-</p> <p>The Bank has adopted a Whistle Blower Policy covering the required aspects of the direction. The BAC reviewed the policy in 2025 and recommended it for approval by the Board No BAC/2025/M-06/P4. One incident has been reported and is currently under review, with action pending.</p>
<p>s. The Committee shall act as the key representative body for overseeing the bank's relations with the external auditor.</p>	<p>BAC acts as the key representative body for overseeing the Bank's relations with the external auditor. External Auditor is a regular invitee to the BAC.</p>
<p>6.3. Human Resources and Remuneration Committee</p>	
<p>a. The Committee shall:</p> <p>Be chaired by a director who is not the chair of the Board and preferably independent;</p>	<p>Not complied with :-</p> <p>Committee consists of 4 members and all are Non-Independent. Therefore, the Committee is chaired by a Non-Independent Director.</p>
<p>b. Preferably be constituted with a majority of independent directors;</p>	<p>Not complied with :-</p> <p>Committee consists from 4 members and all are Non-Independent.</p>
<p>c. The "Terms of reference" provides that the CEO is not present at meetings of the committee, when matters relating to the CEO are being discussed by reviewing the minutes.</p>	<p>Complied with :-</p> <p>The CEO/GM is not present at meetings of the Committee, when matters relating to the CEO/GM are being discussed as per the provision Section 5.(e) of TOR.</p>
<p>d. The committee has implemented a policy to determine the remuneration (Salaries, allowances and other financial payments) relating to directors, CEO and key management personnel of the Bank to review the "Terms of reference" and minutes.</p>	<p>Complied with :-</p> <p>The remuneration of Directors is governed by Public Enterprise Department Circulars.</p> <p>The Committee has approved a Remuneration Policy to determine the remuneration, allowances, and other financial benefits of Key Management Personnel.</p> <p>The Board-approved, updated Remuneration Policy is currently in place.</p>

Directive	Reference
<p>e. The goals and targets for the directors, CEO and the key management personnel are documented.</p>	<p>The Directors are Non-Executive Directors and act in accordance with the Board Charter.</p> <p>Goals and targets for Key Management Personnel (KMP) are documented in the Action Plan, which is prepared based on the Bank's Corporate Plan. The General Manager is responsible for implementing the Corporate Plan through the KMPs.</p>
<p>f. The committee has considered evaluations of the performance of the CEO and key management personnel against the set targets and goals periodically and determine the basis for revising remuneration benefits and other payments of performance- based incentives.</p>	<p>Complied with :-</p> <p>The performance of Key Management Personnel is evaluated by the Board Human Resources & Remuneration Committee. While the performance evaluation of CRO, CO and CIA who are engaged in the independent functions are reviewed and evaluated by relevant Board Sub Committees.</p> <p>Performance evaluations of the year 2025 were carried out in the year 2026.</p> <p>Comment on whether there is a process on revising remuneration benefits and other payments if targets and goals are not achieved.</p>
<p>g. Whether any written shareholder approvals obtained for special payments/ financial and non-financial benefits that made to the directors, CEO and KMPs at the termination of the employment or at the retirement (In the case of licensed banks where the Government of Sri Lanka holds fifty per cent or more of issued capital carrying voting rights of the bank, such prior approval shall be obtained from the Secretary to the Treasury)</p>	<p>Complied with :-</p> <p>It was noted that no special payments/ financial and non-financial benefits were made to the Directors, CEO and KMPs at the termination of the employment or at their retirement.</p>
<p>h. Communication concurrences from risk committee on the compensation made to directors, CEO and key management personnel is within the risk appetite limits of the bank.</p>	<p>No such situation has been arisen during the year.</p>
<p>i. There is a policy on claw-back arrangements for performance-based payments made to CEO and KMPs of the licensed bank under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the licensed bank.</p> <p>The employment contracts of CEO and KMPs to ensue whether claw-back arrangements are incorporated to the document.</p>	<p>Partially complied with :-</p> <p>Actions are taken according to the approved Disciplinary Code of the Bank, when fraud or misappropriations of funds are occurred.</p>
<p>6.4. Nomination and Governance Committee:</p>	
<p>a. The committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.</p>	<p>Not complied with :-</p> <p>Committee consists of majority of Non-Independent Directors</p>
<p>b. The committee has implemented a procedure to select/appoint new directors, CEO and key management personnel.</p>	<p>Appointments of Directors are made by the Hon. Minister in terms of the provisions of PSB Act. The Board appoints the CEO/ GM. Committee sets the criteria to select/appoint/promote Key Management Personnel. The recruitment policy of the Bank modular provisions for the selection & appointment of the KMP.</p>

CORPORATE GOVERNANCE

Directive	Reference
c. Ensure the directors, CEO and the key management personnel are fit and proper persons to hold office as specified in the criteria given in Directions 3 and 8.2 and as set out in the applicable laws and regulations;	<p>Complied with :-</p> <p>Declarations on fitness and propriety of the Directors and Key Management Personnel, approved by the Bank Supervision Department, were obtained which have been updated by the Bank at the change of Positions / Qualifications.</p>
d. The minutes to establish whether views are been discussed of selecting CRO and CCO in the Integrated Risk Management Committee meetings and selection CIA in the Audit Committee meetings.	<p>Complied with :-</p> <p>The appointments of the CRO and CCO were made prior to 2025 and therefore, they were not discussed at the BIRMC. However, the appointment of the CIA was discussed at the meeting held on 07/08/2025.</p>
e. The committee has considered and recommended (or not recommended) the re-election of current directors, through periodic evaluation of the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities.	<p>This does not arise since the Directors are appointed by the Hon. Minister in consultation with the Secretary to the Treasury.</p>
f. The evaluations done for the status of independence of the independent non-executive directors in terms of the Direction 2.5 b) quarterly and whether such directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision	<p>The Bank has carried out annual assessments of the independence of Independent Non-Executive Directors, ensuring that there are no conflicts of interest that may impair their judgment and reports any changes in independence status to the Director of Bank Supervision.</p>
g. The committee has set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the key management personnel, by review of job description.	<p>Complied with :-</p> <p>The required qualification and experience to be eligible for selection for the posts of Chief Executive Officer/ General Manager, Deputy General Managers & Regional General Managers have been determined by Pradeshiya Sanwardhana Bank Act No.41 of 2008. Eligibility/Selection criteria and qualifications for Key Management Personnel are determined by the Nomination Committee / Board. E.g. Succession Planning Policy, Recruitment Policy.</p> <p>Statements of Recruitment are available which include the criteria and qualifications for selection of Key Management Personnel and the BHRRC reviewed SORs when necessary.</p>
h. The committee has considered formal succession plan for the retiring directors and key management personnel.	<p>Not complied with :-</p> <p>Not applicable for Directors. The succession plan is currently under process. However, the process has been delayed as internal promotions have been placed on hold.</p>

Directive	Reference
<p>i. The bank has a robust succession plan for CEO and KMPs, considering below,</p> <p>(i) Identify qualified and competent persons (internal/external) to fulfil the positions of CEO and key management personnel for succession in short, medium and long term given the size, scale, diversity and complexity of operations of the bank;</p> <p>(ii) Groom the selected successors for the respective positions by identifying and mitigating the skill/knowledge gaps for the respective area; and,</p> <p>(iii) Review the succession plan at least on an annual basis.</p>	<p>Not complied with :-</p> <p>The succession plan is currently under process. However, the process has been delayed as internal promotions have been placed on hold.</p>
<p>j. The directors are updated on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the banking industry on a continuous basis.</p>	<p>Complied with :-</p> <p>CBSL Directions, other important laws & regulations have been communicated to the Board of directors on a quarterly basis.</p>
<p>k. Inspect the Board has regularly reviewed and agreed the training and development needs of all the members, by carrying out the following procedures:</p> <ul style="list-style-type: none"> • Observe the assessment of the training needs of Board • Read the relevant documents to note actual training and development activities were taken place during the year 	<p>Not complied with :-</p> <p>No such training needs have been identified or conducted.Changes to the Board of Directors took place in 2025, and as per the Bank, the training needs evaluation process will be initiated in 2026.</p>
<p>l. The evidence of Board review of Board and Sub-committees and established the structure, size, qualification and composition of the Board and sub-committees.</p>	<p>Not complied with :-</p> <p>Review of the structure, size, qualifications and composition of Board Sub Committees are pending by the new Board Members.</p>
<p>m. The corporate governance framework and policies of the bank are reviewed periodically and updated effectively.</p>	<p>Partially complied with :-</p> <p>Corporate governance frameworks are being processed and policies are reviewed and updated periodically as per the schedule.</p>
<p>6.5. Integrated Risk Management Committee</p>	
<p>a. The chairperson is an independent director who is not the chair of the Board or any other Board committee.</p>	<p>Not complied with :-</p> <p>The Committee is chaired by an Non-Independent Director who is not the Chair of the Board or any other Board Committees.</p>
<p>b. The committee shall consist of at least three non-executive directors, CEO, and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.</p>	<p>Complied with :-</p> <p>The Committee consists of 04 Non-Executive Directors, Chief Executive Officer and AGM-Risk Management who supervise credit, market, operational, reputational and strategic risks. The Compliance Officer attends meetings by invitation.</p> <p>Any other KMP and other staff are invited as and when the Committee needs their presence.</p> <p>However, the position of Chief Risk Officer (CRO) is being vacated from 31 October 2019.</p>

CORPORATE GOVERNANCE

Directive	Reference
c. A majority of the members of the Committee shall not be constituted by the members of the Audit Committee and vice-versa;	Complied with :- The committee consists of four members and out of them two members are represented from the Audit Committee and vice-versa.
d. The BIRMC minutes to ensure that CEO, CRO, CCO and KMPs attend the meetings on need basis	Complied with :- According to the BIRMC minutes for the year 2025, it was observed that the AGM Risk Management and other KMPs were called by invitation to discuss respective risk areas.
e. Work with key management personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee;	Complied with :- The Committee works closely with Key Management Personnel and makes decisions within its delegated authority.
f. The independent risk management function is responsible for integrated risk management of the bank.	Complied with :- The Committee ensures the establishment of an independent risk management function and conducts regular assessments of all key risk areas.
g. The committee has a process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	Complied with :- The Committee assesses risks and prepares the report on Key Risk Indicators of the Bank on a monthly basis by Assistant General Manager- Risk and submits it to the Board. Also, recommendations of the IRMC are submitted for the review of Board of Directors. Further, some risks have been improved reflecting the risk profile of the Bank.
h. The minutes to establish the periodical updates related to risk appetite.	Complied with :- The risk appetite for the year 2025 was reviewed by the BIRMC, and submitted to the Board.
i. The minutes to establish the monitoring of CRO and discussions related to regular risk related reports	Complied with :- CRO submits reports for the review of the Board Integrated Risk Management Committee with risk analysis.
j. Updates provided by the CEO on strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite.	Complied with :- The risk appetite for the year 2025 & ICCAP - 2025 were reviewed by the BIRMC.
k. The committee has reviewed specific quantitative and qualitative risk limits for all management level committees such as credit committee and the asset-liability committees, and report any risk indicators periodically.	Complied with :- Meeting minutes and specific quantitative and qualitative risk of the Assets and Liability Committee (ALCO), Management Committee, Operational Risk Committee and Operational and Premises Committee were reviewed by the BIRMC to ensure adequacy and effectiveness of Committee operations. Further, the Committee oversees their performance and benchmark based on the Committee charter or TOR of such committees.
l. The committee has reviewed and considered all risk indicators which have gone beyond the specific quantitative and qualitative risk limits.	Complied with :- The Committee has reviewed reports on the Bank's Key Risk Indicators.

Directive	Reference
m. The committee has met at least quarterly.	Complied with : The Committee met Seven (7) times during the year 2025.
n. The committee has reviewed and adopted a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks.	A formal Disciplinary Code is in place. However, no any provision for failure to identify specific risks. The Committee has made decisions on high-risk matters through the review of Committee papers. However, no such events were identified during the year 2025.
o. The committee submits a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.	Complied with :- A report on the Bank's Key Risk Indicators is prepared monthly by the AGM – Risk and submitted at the subsequent Board meeting. Additionally, the minutes of the BIRMC meetings are presented to the Board.
p. The committee has establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied with :- The Bank's Compliance Function is headed by the Compliance Officer, who is a Key Management Personnel (KMP). The Compliance Officer submits a Compliance Risk Assessment Report to the BIRMC periodically.
q. The process to ensure updates are made to Audit Committee to facilitate exchange of information to ensure effective management of all risks, including emerging risks, and any adjustments needed to the integrated risk management framework of the bank;	Complied with :- The Board approved Committee charter recognizes and stipulates keeping updates with the Audit Committee to facilitate exchange of information to ensure effective management of all risks including emerging risk. As per the Audit Committee Charter, Head of the Risk Department is an official member of the Board of Audit Committee. Therefore, communication is automatically performed.
r. The process of the incentives which provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the bank.	Complied with :- When making a decision on incentive payments, the risk appetite limits are considered by the Bank. Approved Board minutes of incentives for year 2025 are available.

6.6. Related Party Transactions Review Committee

a. The Committee shall: be chaired by an independent director who is not the chair of the Board	The Related Party Transactions Review Committee has still not been established and the extended deadline was 01.01.2027.
b. consist of at least three non-executive directors with a majority of independent directors. CEO and relevant key management personnel may attend the meetings on need basis only for the relevant agenda items;	
c. The availability of a policy, procedures and processes are in place for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations.	
d. The process to review related party transactions of the bank including the transactions defined in Direction 7.2, particularly with the persons who shall be considered as "related parties", as defined in Direction 7.1, with a view to avoiding any conflicts of interest that may arise from such transactions.	

CORPORATE GOVERNANCE

Directive	Reference
<p>e. The process whether quarterly reported to the Board, the details of related parties, related party transactions and economic consequences of the related party transactions.</p>	
<p>f. The director abstains from participating in discussions on any Board decision on transactions in relation to the director or any of his/her close relation or a concern in which the director has substantial interest.</p>	
<p>g. i. Does the board have a process to ensure that the Bank does not engage in transactions with related parties as defined in Direction 7.1 above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the bank carrying on the same business.</p>	<p>The Related Party Transactions Review Committee has still not been established and the extended deadline was 01.01.2027.</p>
<p>Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the bank's regulatory capital, as determined by the board. For purposes of this sub-direction:</p> <p>a) "Accommodation" shall mean accommodation as defined in the Banking Act Directions on Maximum Amount of Accommodation/ Large Exposures</p> <p>b). The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank's share capital and debt instruments with a maturity of 5 years or more.</p>	
<p>ii. Whether charging of a lower rate of interest than the Bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty;</p>	
<p>iii. Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;</p>	
<p>iv. Providing services to or receiving services from a related-party without an evaluation procedure;</p>	
<p>v. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.</p>	

Directive	Reference
7. RELATED PARTY TRANSACTIONS	
7.1. Related Parties	
<p>The categories of persons considered as “related parties” for the purpose of this Direction are as follows.</p> <ol style="list-style-type: none"> a) a director of a licensed bank; b) close relations of such director; c) a concern in which a director of a licensed bank has a substantial interest, being an interest acquired either before or after the appointment as a director of such licensed bank; d) a concern in which a close relation of a director of a licensed bank has a substantial interest; e) a chief executive officer or an officer performing executive functions of a licensed bank in respect of any accommodation granted other than an accommodation granted to such officer under a scheme applicable to the employees of such licensed bank; f) a shareholder of a licensed bank having material interest, whether individual or a concern; g) a subsidiary or an associate company of the licensed bank; h) a holding company of the licensed bank including its subsidiaries, excluding the parent bank and subsidiaries of a bank incorporated outside Sri Lanka; i) a director of a subsidiary or an associate company of the licensed bank; j) a director of a holding company of the licensed bank and its subsidiaries; k) a close relation of a person specified in Direction 7.1 (e) and (f) above; l) a concern, whose director or partner is a director of such bank; m) a concern in which a material shareholder of a licensed bank has substantial interest; and, n) a concern in which a close relation of an individual material shareholder has substantial interest. 	<p>Complied with :-</p> <p>A Board approved Policy on Related Party Disclosures is in place covering related parties, their transactions, and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any Conflicts of Interest in this regard. Policy had been reviewed twice a year. Last review carried on BRIMC No.2025/MC02/P20 dated 23rd May 2025.</p> <p>Directors who have related party transactions are individually requested to declare their transactions. These transactions belonging to related parties can be captured through a system using the NIC based on their declarations.</p>

CORPORATE GOVERNANCE

Directive	Reference
<p>7.2. Type of Related Party Transactions</p> <p>There is a process to identify and report the following types of transactions been identified as transactions with related parties that is covered by the direction.</p> <ol style="list-style-type: none"> The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation, The creation of any liabilities of the bank in the form of deposits, borrowings and investments, The provision of any services of a financial or non-financial nature provided to the bank or received from the bank, The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties. 	<p>Complied with :-</p> <p>A Board-approved Related Party Transactions Policy is in place. Related party transactions are identified through the Core Banking System (CBS) based on the declarations provided.</p> <p>As per the BIRMC paper, the Compliance Division reviewed all accommodations, including deposits and loans, granted to related parties during the period from 1st January 2025 to 31st December 2025 through the CBS. Confirmations were obtained from the Human Resources and Credit Departments affirming that no preferential treatment was extended to related parties.</p>
<p>7.3. Applicability of Banking Act Provisions</p> <p>Licensed banks shall ensure compliance with the provisions of Section 47 and Section 76K of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 as applicable, except for any accommodation granted to a CEO or a member of the key management personnel under a scheme applicable to the employees of the bank.</p>	<p>Covered by related party policy.</p>
<p>7.4. Accommodation Granted to Directors and Connected Parties</p> <ol style="list-style-type: none"> The bank has a process where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the bank, steps shall be taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a director. Such security is not provided by the period as provided in Direction 3(7)(v) (a) above, the bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such director, whichever is earlier. There is a process to identify any director who fails to comply with the above sub-directions shall be deemed to have vacated the office of director and the bank shall disclose such fact to the public. 	<p>Complied with :-</p> <p>The Board-approved Related Party Transactions Policy adequately covers this requirement. No such situation arose during the year 2025.</p>

Directive	Reference
<p>d) The process in place to ensure clauses 3 (7) (v) (c) does not apply to any director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.</p>	
<p>7.5. Accommodation granted to Employees</p>	
<p>A bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and/ or commission to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Central Bank of Sri Lanka in respect of accommodation granted as per Sections 47(3) and (5) of the Banking Act.</p>	<p>Complied with :-</p> <p>Any accommodation granted to Directors, their close relatives, or related concerns shall be approved at a meeting of the Board of Directors by a majority of not less than two-thirds of the Directors constituting the Board.</p> <p>Accommodation granted to Key Management Personnel (KMPs) is approved by the relevant authority levels of the Bank in accordance with the circular guidelines issued in respect of staff loans.</p> <p>The Bank had not granted more favourable treatment to any employee or a close relation of such employee or to any concern in which the employee or close relations has a substantial interest other than on the basis of a scheme uniformly applicable to the employees of such Bank during the year 2025.</p>
<p>7.6. Writing-off of Accommodation to Related Parties</p>	
<p>There is a process to obtain prior approval from the Monetary board for any accommodation granted by a Bank under Direction 3 (7)(v) and (vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary board and any remission without such approval is void and has no effect.</p>	<p>No such situation has arisen. The updated policy for the year 2025 adequately addresses this requirement.</p>
<p>8. SENIOR MANAGEMENT</p>	
<p>8.1. Board Oversight on Senior Management</p>	
<p>The Board oversee and ensure that the senior management members are carrying out the day-to-day activities in a safe and sound manner in accordance with the Board approved strategies and policies. Accordingly, the Board shall:</p> <ol style="list-style-type: none"> define the areas of authority and responsibilities of the senior management; ensure that the actions of senior management are consistent with the business strategy and policies approved by the Board; meet regularly, on needs basis, with the senior management to review the progress towards achieving corporate objectives; question and critically review explanations and information provided by the senior management; assess whether collective knowledge and expertise of the senior management remain appropriate given the size, scale, diversity and complexity of operations of the bank; and, hold the senior management members accountable for the actions 	<p>Complied with :-</p> <p>The Board oversees and ensures that Senior Management carries out day-to-day activities in a safe and sound manner.</p> <ol style="list-style-type: none"> The areas of authority and responsibility of Senior Management are clearly defined in their respective Job Descriptions. Key Performance Indicators (KPIs) are established to address the relevant requirements. <p>Senior Management meets with the Board as and when required, as reflected in the Board minutes.</p> <p>The progress of the Action Plan for each division is presented to the Board on a quarterly basis.</p> <p>Board Paper No. 2025/4238 dated 24 January 2025.</p>

CORPORATE GOVERNANCE

Directive	Reference
<p>8.2. Criteria to Assess the Fitness and Propriety of Senior Management</p> <p>The Senior Management of licensed banks shall be fit and proper persons to hold such respective positions and the provisions of Sections 42(2) of the Banking Act shall apply in determining whether the members of the senior management are fit and proper persons.</p>	<p>Fit and Proper confirmations for Senior Management have been obtained from the CBSL in accordance with the applicable guidelines.</p>
<p>8.3. Responsibilities of Senior Management</p> <p>Senior management members shall:</p> <ol style="list-style-type: none"> a) contribute substantially to a licensed bank's sound corporate governance framework through personal conduct; b) devote sufficient professional time to discharge his/her duties at the licensed bank. In the event a senior management member is appointed as a non-executive director of a subsidiary or an associate company of the licensed bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities to the bank; c) implement business strategies, risk management systems, risk and compliance culture, processes and controls for managing both financial and non-financial risks under the directions given by the Board; d) recognize and respect the independent duties of the risk management, compliance and internal audit functions and shall not interfere in the exercise of such duties; e) receive access to regular training to maintain and enhance competencies and keep abreast of developments relevant to the respective areas of responsibility; f) be responsible for delegating duties to staff and overseeing such delegated duties; g) establish a management structure that promotes accountability and transparency throughout the bank; h) ensure that appropriate remedial or disciplinary action is taken if breaches are identified; i) regularly provide the Board and the Board sub-committees as applicable with the information of material matters including but not limited to: <ol style="list-style-type: none"> (i) changes in business strategy, risk strategy/risk appetite, (ii) the bank's performance and financial condition, (iii) breaches of risk limits or compliance rules, (iv) internal control failures, and, (v) legal or regulatory concerns. j) notify the Director of Bank Supervision upon becoming aware of any material information that may negatively affect the fitness and propriety of a Board member or another senior management member. 	<p>Complied with :-</p> <p>The Board Charter/Mandate of KMPs document which provides the segregation of the duties, identifies and recognizes the responsibilities of Senior Management.</p>

Directive	Reference
9. DISCLOSURES	
9.1. Board Responsibilities on Disclosures	
<p>Annual audited financial statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p> <p>Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied with :-</p> <p>The annual audited financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities, as well as applicable accounting standards. These statements are also published in abridged form in newspapers in Sinhala, Tamil, and English.</p> <p>The Bank published its financial statements on a quarterly and annual basis for the year 2025 in 3 Newspapers; Daily News, Dinamina and Thinakara. Financial Statements of the 3 quarters and final audited financial statements had been published in the foresaid newspapers on 29 May 2025, 28 August 2025, 19 November 2025 and 30 May 2026 respectively.</p>
9.2. Minimum Disclosures to be made in the Annual Report	
The board has made the following minimum disclosures in the Annual Report	
<p>a. The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</p>	<p>Complied with :-</p> <p>Note 2.2 to the Financial Statements discloses that the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and in compliance with the requirements of the Banking Act No. 30 of 1988.</p> <p>The statement to this effect is included in the Directors' Responsibility for Financial Reporting on page 116 of the Annual Report 2025 of the Bank includes this statement.</p>
<p>b. The report by the board on the Bank's Internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.</p>	<p>Complied with :-</p> <p>The statement to this effect is included in the report on the Internal Control System over financial reporting is provided in the "Directors' Statement on Internal Control" on page 115 of the Annual Report 2025 of the Bank.</p>
<p>c. The external auditor's certification on the effectiveness of the internal control mechanism referred to in b) above. The Assurance Report issued by the Auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" may be used as a substitute disclosure in this regard.</p>	<p>Complied with :-</p> <p>The Bank has obtained a certificate from the Auditor General confirming the effectiveness of its internal controls over financial reporting and the Assurance Report of the Auditor General on Internal Controls over Financial Reporting has been disclosed on pages 113 and 114 in the Annual Report 2025 of the Bank.</p>
<p>d. Details of directors, including names, qualifications, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the bank and the total fees/remuneration paid by the bank.</p>	<p>Complied with :-</p> <p>Details of the Directors, including their names, qualifications, and experience, are disclosed under the "Profiles of the Board of Directors" on pages 22,23 and 24 in the Annual Report 2025 of the Bank.</p> <p>Additionally, fees and remuneration paid to the Board of Directors are disclosed in Note 14 to the Financial Statements which is included on page 143 of the Annual Report 2025 of the Bank.</p>

CORPORATE GOVERNANCE

Directive	Reference
<p>e. Total net accommodation granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.</p>	<p>Complied with :- The total exposure to Key Management Personnel and their close family members is disclosed in Note 37 to the Financial Statements which included on page 175 of the Annual Report 2025 of the Bank.</p>
<p>f. The aggregate values of remuneration paid by the bank to its key management personnel and the aggregate values of the transactions of the bank with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.</p>	<p>Complied with :- The aggregate remuneration paid to Key Management Personnel, as well as the total value of transactions with them, is disclosed in Note 37.1 to the financial statements which is included on page 175 of the Annual Report 2025 of the Bank.</p>
<p>g. Details of Board committees including (i) details of the key activities of each Board committee during the year; (ii) the number of meetings of each committee held in the year; and (iii) attendance of each individual director at such meetings.</p>	<p>Complied with :- This has been disclosed on pages 110, 105, 98 to 100 of the Annual Report 2025 of the Bank.</p>
<p>h. The following shall be disclosed in the Annual Corporate Governance Report:</p> <ul style="list-style-type: none"> i. The external auditor's certification of the compliance with these Directions, clearly demonstrating the compliance status of the licensed bank with each sub-direction; ii. The composition of the Board, by category of directors, including the names of the Chairperson, executive directors, non-executive directors and independent non-executive directors; and, iii. The identity of the Chairperson and CEO and the nature of any relationship including financial, business, family or other material/ relevant relationship(s), if any, among the Chairperson, CEO and the members of the Board. 	
<p>i. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.</p>	<p>Complied with :- The Directors' Report includes details of compliance with prudential requirements, applicable regulations and laws, and the Bank's internal control framework which are included on page 77 of the Annual Report 2025 of the Bank.</p>

Directive	Reference
<p>j. A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been communicated by the Director of Bank Supervision, or administrative fines imposed by the Central Bank of Sri Lanka, if so directed by the Central Bank of Sri Lanka to be disclosed to the public, together with the measures taken by the bank to address such concerns.</p>	<p>No such situation has arisen.</p>
<p>k. The aggregate value of total non-statutory special payments/ financial or non-financial benefits made to directors, CEOs and key management personnel at the termination of employment or at the retirement during the respective financial year.</p>	<p>No such special payments have been made by the Bank during the year under review.</p>

9.3 Disclosures to be made on Resignation, Removal or Vacation of Office of Directors

If a director resigns or is removed or is deemed to have vacated the office of director due to regulatory non-compliances and/or as decided by the Board, the Board shall disclose the director's resignation or removal or the status of being deemed vacated the office and the reasons for same in the official website of the licensed bank, including but not limited to information relating to the relevant director's disagreement with the bank, if any.

No instances were identified within the year 2025, where a Director resigned, was removed, or was deemed to have vacated the office of Director due to regulatory non-compliances and/or as decided by the Board.

CORPORATE GOVERNANCE

Attendance of the Board of Directors of PSB -2025

Names	Mr. A.P.L. Fernando - Chairman	Mr.D.A.P.Abeyssekara - Board Director	Mr.W.Ranaweera - Board Director	Mr.P.A.Wijeratne - Board Director	Ms.P.R.Madurawala - Board Director	Mr.Kumara Bandara - Board Director	Ms.Ramani Wijeratne - Board Director	Mr.Sujith Perera - Board Director	Mr.Chanura Wijetilake - Board Director	Mr.Asoka Bandara - Board Director	Mr.Ranjith Kodituwakku - Board Director	Mr.Wasantha Nandasiri - Board Director
Dates												
29.01.2025	P	P	P	P	P	P	P	N/A	N/A	N/A	N/A	N/A
07.02.2025	P	E	P	P	P	P	P	N/A	N/A	N/A	N/A	N/A
20.03.2025	P	P	E	P	P	E	P	N/A	N/A	N/A	N/A	N/A
09.04.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
29.04.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
02.05.2025	P	R	P	P	Via Zoom	Via Zoom	Via Zoom	Via Zoom	N/A	N/A	N/A	N/A
05.05.2025	P	R	P	P	P	Via Zoom	P	E	N/A	N/A	N/A	N/A
14.05.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
05.06.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
25.06.2025	P	R	P	P	P	E	P	P	N/A	N/A	N/A	N/A
08.07.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
04.08.2025	P	R	P	P	P	P	P	Via Zoom	N/A	N/A	N/A	N/A
07.08.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
26.08.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
11.09.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
30.09.2025	P	R	P	P	P	P	P	P	N/A	N/A	N/A	N/A
31.10.2025	P	R	P	P	P	P	P	R	P	Via Zoom	P	N/A
20.11.2025	P	R	P	P	P	P	Via Zoom	R	P	P	Via Zoom	N/A
17.12.2025	P	R	P	P	P	P	P	R	P	P	P	Via Zoom
30.12.2025	P	R	P	P	P	P	P	R	P	P	P	P

Attendance of the Board Human Resources & Remuneration Committee

Dates	13.02.2025	03.04.2025	29.05.2025	03.07.2025	06.08.2025	18.09.2025	13.11.2025
Names							
Mr. W. Ranaweera - Board Director-Chairman of BHRRC	P	P	P	P	P	P	P
Mr. A .P. L. Fernando Chairman of the Board	E	P	P	P	P	P	P
Mr. P. A. Wijeratne Board Director	P	P	P	P	P	P	P
Mr. Kumara Bandara Board Director	P	P	P	P	P	P	E
Mr. Asoka Bandara Board Director	N/A	N/A	N/A	N/A	N/A	N/A	E

Attendance of the Board Nomination Committee

Dates	13.02.2025	26.05.2025	03.07.2025	30.07.2025	18.08.2025	10.09.2025	22.09.2025	13.11.2025	08.12.2025
Names									
Mr.A.P.L.Fernando - Chairman of the Board	P	P	P	P	P	P	P	P	P
Mrs.Ramani Wijeratne - Board Director - Chairperson of BNC	P	P	E	P	P	P	P	P	P
Mr.Kumara Bandara - Board Director	E	P	P	P	P	P	P	E	E
Mrs.P.R.Madurawala - Board Director	P	P	E	P	P	P	P	P	P
Mr.Sujith Perera - Board Director	N/A	Via Zoom	Via Zoom	P	P	Via Zoom	Via Zoom	R	R
Mr.Chanura Wijetillakee - Board Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P

Attendance of the Board Integrated Risk Management Committee

Dates	12.03.2025	23.05.2025	25.08.2025	04.09.2025	10.11.2025	17.12.2025	29.12.2025
Names							
Mrs. P. R. Madurawala Chairperson of BIRMC	P	P	P	P	P	P	P
Mr. W. Ranaweera - Board Director	E	P	P	P	P	P	P
Mr. Kumara Bandara - Board Director	P	P	E	P	E	P	E
Mrs. Ramani Wijeratne - Board Director	P	P	P	P	E	P	P
Mr. Sujith Perera - Board Director (till 30.09.2025.)	N/A	P	P	P	R	R	R
Mr. Chanura Wijetillakee - Board Director	N/A	N/A	N/A	N/A	P	P	P

CORPORATE GOVERNANCE

Attendance of the Board Audit Committee

Dates	10.03.2025	20.05.2025	29.07.2025	24.09.2025	11.11.2025	23.12.2025
Names						
Mr. Kumara Bandara - Board Director/ Chairman of BAC	P	P	P	P	P	P
Mr. D. A. P. Abeysekara - Board Director (till 23.03.2025)	P	R	R	R	R	R
Mrs. P. R. Madurawala - Board Director	P	P	P	E	P	P
Mr. P. A. Wijeratne - Board Director	E	P	P	P	P	P
Mr. W. Ranaweera - Board Director	N/A	N/A	E	P	P	P
Mr. Ranjith Kodituwakku - Board Director	N/A	N/A	N/A	N/A	P	E

Attendance of the Board Information Communication Technology Steering Committee

Dates	24.04.2025	28.07.2025	08.12.2025
Names			
Mr. Sujith Perera - Board Director/ Chairperson of BICTC (till 30.09.2025)	P	P	R
Mr. A. P. L. Fernando - Board Director	P	P	P
Mr. P. A. Wijeratne - Board Director	P	P	P
Mr. W. Ranaweera - Board Director	P	E	P
Mrs. Ramani Wijeratne - Board Director	P	P	P
Mr. Ranjith Kodituwakku - Chairperson of BICTSC - w.e.f 31.10.2025	N/A	N/A	P

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Directors of the Pradeshiya Sanwardhana Bank (PSB) take pleasure in presenting their Annual Report on the affairs of the Bank, together with the audited Financial Statements of the Bank's year ended 31st December 2025. The Report also conforms to the requirements of the Pradeshiya Sanwardhana Bank Act No. 41 of 2008, Banking Act No. 30 of 1988 and Directions on Corporate Governance. The Bank was originally established in 1997 when seventeen Rural Development Banks were merged into six banks namely, Rajarata, Ruhuna, Wayamba, Uva, Kandurata and Sabaragamuwa Development Banks. These six Provincial Development Banks were further merged in May 2010 as a National Level Development Bank and named the Pradeshiya Sanwardhana Bank (Regional Development Bank or PSB). PSB was established under the Pradeshiya Sanwardhana Bank Act No. 41 of 2008. PSB is a fully state-owned national level Bank with the objectives of empowering the living standards of the rural masses by providing them accessible and affordable financial services that in turn would contribute to uplift the rural economy.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are to facilitate the overall economic development of Sri Lanka by promoting the development of agriculture, industry, trade, commerce, livestock, fisheries activities and empowerment of Sri Lankans, mainly by granting financial assistance to Micro Finance Institutions and Small and Medium Enterprises.

VISION, MISSION

The Bank's Vision and Mission are given on front inner cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under the Vision and Mission.

GOING CONCERN

The Board of Directors is satisfied that the Bank has adequate resources to continue

its operations in the foreseeable future. Therefore, we continue to adopt the going concern basis in preparing the Financial Statements.

FINANCIAL STATEMENTS

The Financial Statements of the Bank have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and complied with the Banking Act No. 30 of 1988. The Financial Statements of the Bank's fifteenth year ended 31st December 2025, are duly signed by the Chief Financial Officer, Chief Executive Officer and two Directors of the Bank, are given on page 127 and form an integral part of the Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements that will reflect a true and fair view of the state of the affairs of the Bank. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and the Banking Act No. 30 of 1988 and its amendments.

The Directors' Responsibility Statement appearing on page 120 of this Annual Report describes in detail the Directors' responsibilities in relation to the Financial Statements, which forms an integral part of the Annual Report of the Board of Directors.

AUDITOR'S REPORT

The Auditor General carried out the audit of the Bank in 2025, the audit was carried out throughout the year. Issues identified in their report were submitted to the management regularly for prompt action. Having confirmed the accuracy of the financial reporting, the Financial Statements, together with the necessary data and information, were made available to the Auditor General for examination.

The Auditor General's opinion on the Financial Statements appears on page 122 of this Annual Report. As a regulatory supervisory body, the Central Bank of Sri Lanka carried out a periodic examination of the records and affairs of the Bank to ascertain compliance with directives issued by the Central Bank of Sri Lanka. It also determines whether required financial indicators are being maintained at the necessary level so that the interests of the stakeholders, particularly the depositors, are safeguarded.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of Financial Statements are given on pages 136 to 149.

DIRECTORS' REMUNERATION

Details of Directors' emoluments paid during the year are given in Note 14 of the Financial Statements.

FUTURE DEVELOPMENTS

An overview of future developments of the Bank is given in the Chairman's statement (pages 15 to 16), the General Manager/ CEO's review (pages 18 to 19) and the Management Discussion and Analysis (pages 32 to 49).

REVIEW OF BUSINESS PERFORMANCE

A review of the Bank's performance during the financial year 2025 is contained in the Chairman's statement (pages 15 to 16), the General Manager/ CEO's review (pages 18 to 19) and the Management Discussion and Analysis (pages 32 to 49). These reports form an integral part of the Annual Report.

FINANCIAL RESULTS

The Bank's financial and operational performance is given on the General Manager/ CEO's Review on pages 18 to 19 and in the Financial Highlights on pages 11 to 12.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

STATED CAPITAL

The total shareholders' fund as at 31.12.2025 is Rs.21.93 Bn. The Stated Capital contributed by shareholders at the end of year is Rs.8.52 Bn and their percentage of shareholding is as follows.

#	Share Holder	LKR	%
01.	General Treasury	8,028,374,347	91.21
02.	Bank of Ceylon	164,484,480	2.93
03.	People's Bank	164,484,480	2.93
04.	National Savings Bank	164,521,260	2.93
	Total	8,521,864,556	100.00

INCOME

The gross income of the Bank for 2025 was Rs. 42.81 Bn Details of the income are given on page 151.

TAXATION

The Bank contributed Rs. 6.94 Bn by way of taxes and levies to the Government in 2025. This consisted of Rs. 3.45 Bn of Income Tax and Rs.3.48 Bn of Taxes on Financial Services. The Income Tax Rate applicable on the Bank's operations is 30%. It is the Bank's policy to provide for deferred taxation on all known temporary differences under the liability method.

PROPERTY, PLANT & EQUIPMENT

The total capital expenditure incurred by the Bank on the acquisition of Property, Plant & Equipment, Leasehold Property and Intangible Assets during the year amounted to Rs. 353.97 Mn, the details of which are given in notes 24 and 25 of the Financial Statements on pages 163 to 170 of this Annual Report.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the balance sheet date that require adjustment to or disclosure in the Financial Statements.

OUTSTANDING LITIGATION

In the opinion of the Directors and the Bank's lawyers, outstanding litigation against the Bank disclosed in Note 40 of the Financial Statements will not have a material impact on the financial position of the Bank or its future operations.

CAPITAL & RESERVES

The Capital and Reserves of the Bank including retained earnings consist of the following:

	2025	2024
	LKR	LKR
Stated Capital	8,521,864,568	8,521,864,568
Statutory Reserve Fund	1,070,809,861	952,196,232
Special Reserve Fund	925,200,189	806,586,560
General Reserve Fund	4,471,839,190	3,997,384,674
Revaluation Reserve	1,128,170,414	-
Retained Earnings	5,819,842,126	4,110,111,526
Total	21,937,726,347	18,388,143,559

DIVIDENDS

In view of operating results of the year 2025 and Direction No 03 of 2022 dated 15.03.2022 of CBSL, the Directors have approved LKR 250 Mn dividend distribution out of profits for the year 2025.

BOARD OF DIRECTORS

The Board of Directors comprises 10 Members including the Chairman. The Secretary to the Treasury appoints the Chairman and the other Directors, while one ex-officio member was nominated by the Ministry of Finance representing the General Treasury. The following are the names of the members of the Board of Directors whose brief profiles appear on pages 22 to 24 of this Annual Report.

Mr. A. P. L. Fernando
Chairman

Mr. D. A. P. Abeysekera
Non - Independent Director
(Treasury Representative)

Mrs. S. Ramani Wijeratne
Non - Independent/ Non-Executive
Director

Mr. Kumara Rathna Bandara
Non - Independent/ Non-Executive
Director

Mr. P. A. Wijeratne
Non - Independent/ Non-Executive
Director

Mrs. P. R. Madurawala
Non - Independent/ Non-Executive
Director

Mr. W. Ranaweera
Non - Independent/ Non-Executive
Director

Mr. Sujith Perera
Non - Independent/ Non-Executive
Director

Mr. Chanura Jayantha Wijetillake
Independent/ Non-Executive Director

Mr. U. L. A. W. Bandara
Independent/ Non-Executive Director

Mr. Ranjith Kodituwakku
Independent/ Non-Executive Director

Mr. B. K. W. Nandasiri
Independent/ Non-Executive Director

RESIGNATION OF DIRECTORS

Mr. D. A. P. Abeysekera
Non-Independent Director (Treasury Representative)

Mr. Sujith Perera
Non-Independent/ Non-Executive Director

NEW APPOINTMENT OF DIRECTORS

Mr. Sujith Perera
(Appointed on 19.02.2025)

Mr. Chanura Jayantha Wijethilake
(Appointed on 22.10.2025)

Mr. U. L. A. W. Bandara
(Appointed on 22.10.2025)

Mr. Ranjith Kodituwakku
(Appointed on 22.10.2025)

Mr. B. K. W. Nandasiri
(Appointed on 27.11.2025)

BOARD SUB COMMITTEES

The Board of Directors of the Bank while assuming the overall responsibility and accountability has also established the following Board Sub Committees to ensure conformity with Corporate Governance Standards of the Central Bank and other statutory compliances. Board Secretary acts as the secretary of all Board Sub Committees. The composition of Board Sub Committees is as follows:

BOARD AUDIT COMMITTEE

1. Mr. Kumara Rathna Bandara
(Chairman of the Committee, appointed on 29.01.2025)

2. Mr. P. A. Wijeratne
(appointed on 29.01.2025)

3. Mr. W. Ranaweera
(appointed on 26.06.2025)

4. Mrs. P. R. Madurawala
(appointed on 29.01.2025)

5. Mr. Ranjith Kodituwakku
(appointed on 31.10.2025)

Report of the Audit Committee is given on page 109 and forms a part of the Directors' Report.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

1. Mrs. P. R. Madurawala
(Chairperson of the Committee, appointed on 29.01.2025)

2. Mrs. S. Ramani Wijeratne
(appointed on 29.01.2025)

3. Mr. W. Ranaweera
(appointed on 29.01.2025)

4. Mr. Kumara Rathna Bandara
(appointed on 29.01.2025)

5. Mr. Chanura Jayantha Wijethilake
(appointed on 31.10.2025)

Report of the Integrated Risk Management Committee is given on page 113 which forms part of the Directors' Report.

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

1. Mr. W. Ranaweera
(Chairman of the committee, appointed on 29.01.2025)

2. Mr. A. P. L. Fernando
(appointed on 29.01.2025)

3. Mr. Kumara Rathna Bandara
(appointed on 29.01.2025)

4. Mr. P. A. Wijeratne
(appointed on 29.01.2025)

5. Mr. Asoka Bandara
(appointed on 31.10.2025)

BOARD NOMINATION & GOVERNANCE COMMITTEE

1. Mrs. S. Ramani Wijeratne
(Chairperson, appointed on 29.01.2025)

2. Mr. A. P. L. Fernando
(appointed on 29.01.2025)

3. Mrs. P. R. Madurawala
(appointed on 29.01.2025)

4. Mr. Kumara Rathna Bandara
(appointed on 29.01.2025)

5. Mr. Chanura Jayantha Wijethilake
(appointed on 31.10.2025)

BOARD INFORMATION AND COMMUNICATION TECHNOLOGY STEERING COMMITTEE (BICTSC)

1. Mr. Ranjith Kodituwakku
(Chairman of the Committee, appointed on 31.10.2025)

2. Mr. A.P. L. Fernando
(appointed on 29.01.2025)

3. Mrs. S. Ramani Wijeratne
(appointed on 29.01.2025)

4. Mr. W. Ranaweera
(appointed on 29.01.2025)

5. Mr. P. A. Wijeratne
(appointed on 29.01.2025)

DIRECTORS' MEETINGS

The number of Directors' meetings which comprise Board Meetings, Board Audit Committee Meetings, Board Integrated Risk Management Committee Meetings, Board Human Resource and Remuneration Committee Meetings, Board Nomination & Governance Committee Meetings, and the attendance of Directors at these meetings are given on Corporate Governance Report page 102 to 104 of this Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contract with the bank both directly and indirectly are referred to in note 37 to the financial statements. The Directors do not have any other direct or indirect interest in contracts or proposed contracts with the bank.

RELATED PARTY TRANSACTIONS

The Directors have also disclosed the transactions, if any, that could classify as related party transactions in terms of Sri Lanka Accounting Standards (LKAS24) Related Party Disclosures, which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 37 to the Financial Statements.

GENERAL MANAGER/CHIEF EXECUTIVE OFFICER

The General Manager is the Chief Executive Officer of the Bank and is appointed by the Board of Directors. The General Manager has the right to be present at, and to participate in the meetings of the Board.

HUMAN RESOURCES

The Bank continued to develop and maintain dedicated and highly motivated employees who are committed to creating sustainable value through high-quality service.

OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating cost, the Bank has ongoing initiatives to drive policy and process standardization and to optimize the use of existing technology platforms.

ENVIRONMENTAL PROTECTION

The Bank has taken initiatives to safeguard and enhance the environment which is vital for sustainable development and growth of the Bank. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time.

RISK MANAGEMENT INTERNAL CONTROLS AND MANAGEMENT INFORMATION SYSTEM

The Board of Directors assumes overall responsibility for managing risk. For this purpose, the Board of Directors has instituted and implemented an effective and comprehensive system of internal controls and management information systems in the Bank. Internal control systems have been re-designed to mitigate the risks to which the Bank is exposed to and provide reasonable assurance against material misstatements or loss. There is an ongoing process for identifying, evaluating and managing the risks that are faced by the Bank. The specific measures taken by the Bank in mitigating the risks are detailed on pages 53 to 68 to this Annual Report.

DIRECTORS' STATEMENT OF INTERNAL CONTROL

The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The above report, which forms an integral part of the Annual Report of the Board of Directors, is given on page 119. Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control, which is given on pages 117 to 118 of this Annual Report.

CORPORATE GOVERNANCE

In the management to the Bank, the Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced / improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on corporate governance is given on pages 70 to 101 for which the Board has obtained a Report of Factual Findings from the Auditor General.

COMPLIANCE WITH LAWS, REGULATIONS AND PRUDENTIAL REQUIREMENTS

The Bank has at all times ensured that it complied with Pradeshiya Sanwardhana Bank Act and all other applicable laws, regulations and prudential requirements.

AUDITORS

The Auditor General carried out the audit of the Financial Statements of the Bank for the financial year ended 31st December 2025.

By the order of the Board



Secretary to the Board (Covering up the duties)

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) was constituted in accordance with the Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka. And also proceedings of BAC are based on the provisions of the Public Enterprises Guidelines for Good Governance and “Code of Best Practice on Corporate Governance” issued by the Institute of Chartered Accountants of Sri Lanka.

The committee comprises the following Non-Executive / Independent Directors.

Name of the Director	No. of meetings to be attended	Attended
Mr. Kumara Rathna Bandara (Chairman) (appointed on 04.12.2024)	06	06
Mr. W. Ranaweera (appointed on 15.01.2025)	06	03
Mrs. P. R. Madurawala (appointed on 09.12.2024)	06	05
Mr. P. A. Wijeratne (appointed on 09.12.2024)	06	05
Mr. Ranjith Kodituwakku (appointed on 22.10.2025)	02	01
Mr. D. A. P. Abesekara (resigned on 24.03.2025)	01	01

The Board Secretary functions as the secretary to the BAC. The Chief Internal Auditor functions as the convener of the committee.

The quorum for any meeting shall be two- thirds of (2/3) the members.

Regular Participants

- Chief Internal Auditor
- Assistant General Manager - Internal Audit
- Assistant General Manager – Risk Management
- Compliance Officer/Assistant General Manager- Compliance
- Representatives of the National Audit Office

Attend upon invitation

- General Manager /CEO
- Chief Financial Officer
- Assistant General Manager – Investigations
- Any other member of Corporate or Executive Management
- Any other Staff Member

BAC Charter and Terms of Reference (TOR) of the BAC

The BAC charter and TOR of the BAC have been approved by the Board of Directors for the functioning of the committee and reviewed regularly. The BAC charter and the TOR were last reviewed in 2025 by taking into consideration the new developments in the banking sector. The BAC charter and TOR stipulate the functions and responsibilities, and the authority of the Committee.

Reporting to the Board

The Committee is directly reporting to the Board of Directors about its activities, along with the minutes of the meetings. BAC provides an open avenue of Communication between internal audit, external audit, whistleblowers and the Board of Directors.

Key responsibilities of the Committee

The Committee is empowered by the Board of Directors to discharge its responsibilities and fulfilling its responsibilities for:

- The adequacy and effectiveness of the Bank’s internal control systems.
- The performance of the Bank’s internal audit function.
- The true and fairness of the Bank’s Financial Statements.
- The effectiveness of the Bank’s risk management function
- Compliance with applicable laws, regulations, and corporate governance requirements.
- Supervision of remedial actions on the Auditor General’s reports.

Areas of focus and activities in 2025

During the financial year ended 31 December 2025, the Committee held six meetings. The Committee, during the year under review, attended the following:

Internal audit and inspection

- Reviewed the independence, objectivity, and performance of the internal audit function.
- Approved the Internal Audit Plan and reviewed the effectiveness of the implementation of the Plan throughout the year.
- Effectively managed the whistle-blowing complaints by maintaining transparency, accountability and ethical business practices while ensuring timely and impartial investigations.

REPORT OF THE BOARD AUDIT COMMITTEE

- Monitored the progress of the initiatives taken by the Internal Audit Department to improve the Internal Control Monitoring Process.
- Evaluated the performance of the Chief Internal Auditors and senior staff of the Internal Audit Division.

Financial Reporting

- The Committee reviewed the Financial Statements of the Bank, in order to monitor the integrity of the Financial Statements and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein prior to their release.
- The Committee focused on major judgment areas, any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumption and compliance with relevant accounting standards and other legal requirements to evidence the Financial Statements give a true and fair view on financial position and performance of the Bank.

Regulatory Compliance

- The committee reviewed compliance with mandatory banking and other statutory requirements.
- The committee reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by regulators.

External audit

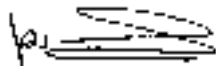
- By statute, the Auditor General is the External Auditor of the Bank.
- The Committee ensured that the external audit is carried out and maintained a continuous rapport with the representatives of the Auditor General in relation to the audit approach and procedure.
- Two Meetings were held with the representatives of the Auditor General, without Executive Management, during 2025.

Focus for 2026 and beyond

The Board Audit Committee will continue to strengthen the Bank's internal control environment in line with its Charter, while upholding the highest standards of financial integrity, risk management, and regulatory compliance.

The Committee will maintain close oversight of the Bank's financial systems and processes to ensure their effectiveness amid evolving internal and external challenges, and will proactively address recommendations arising from the Auditor General's reviews to support continuous improvement.

Furthermore, the Committee has focused on covering special Information Systems (IS) audits and special forensic audits to enhance governance and risk oversight.



Kumara Rathna Bandara
Chairman

Board Audit Committee

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE (BHRRC) AND BOARD NOMINATION AND GOVERNANCE COMMITTEE (BNGC) REPORT

Introduction

Pradeshiya Sanwardhana Bank (PSB) is required to establish Board Sub-Committees that report directly to the Board of Directors in compliance with the Banking Act Directions on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka (CBSL), specifically in terms of Sections 6.3 and 6.4 of Direction No. 6. Accordingly, two dedicated Board Sub-Committees have been constituted, the Board Human Resources and Remuneration Committee (BHRRC) and the Board Nomination and Governance Committee (BNGC), comprising members of the Board of Directors. Each Committee has been entrusted with clearly defined responsibilities aligned with the regulatory framework and operates independently in accordance with its respective Terms of Reference (TORs), ensuring governance and compliance with CBSL requirements.

The scope of BHRRC includes,

- Determining the remuneration policy relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel (KMPs) of the Bank.
- Setting goals and targets and evaluating the performance of the Directors, CEO and the KMPs against the set targets and goals periodically.
- Guiding and advising to devise human resource strategies and policies linked with business and functional strategies of the Bank.
- Make recommendations to the Board relating to the matters, proposals submitted by the Human Resources Policy Committee.

The scope of BNGC includes,

- Defining qualifications, experience and key attributes required for appointment or promotion to the post of CEO and the KMPs.
- Implementing a procedure to select/ appoint new members to the Board Sub-committees, CEO and KMPs or reconsider their reappointment and the extension of the CEO and the KMPs

on the performance and contribution made by them towards overall objectives of the Bank.

- Ensuring that Directors are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.
- Considering and recommending from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Key Management Personnel.

These two Committees make their recommendations for approval of the Board of Directors.

Composition and Meetings

Board Human Resources and Remuneration Committee was headed by Mr. W. Ranaweera, while the Board Nomination and Governance Committee meetings was headed by Mrs. Ramani Wijeratne.

Seven (07) Board Human Resources and Remuneration Committee meetings and Nine (09) Board Nomination and Governance Committee meetings were held during the year ended 31st December 2025.

Chief Human Resources Officer shall present all the papers through General Manager/CEO with background and other related information and analysis to enable committee members to derive at decisions.

The Secretary to these Committees is the Secretary to the Board.

Division or Unit heads are invited for opinions on their respective functions as when required.

The General Manager/CEO shall be present at all meetings of the BHRRC whereas GM/CEO shall be present at Board Nomination & Governance Committee meetings by invitation.

The quorum for a meeting of each committee shall be two independent Directors. The Committee shall meet at least quarterly. The committee members were changed during the year and attendance details are as follows:

Board Human Resources and Remuneration Committee Members;

Name	Attended/ Eligible
Mr. A. P. L Fernando Chairman (Appointed w.e.f. January 29, 2025)	07/07
Mr. W. Ranaweera Director (Appointed w.e.f. January 29, 2025)	06/07
Mr. P. A. Wijeratne Director (Appointed w.e.f. January 29,2025)	07/07
Mr. Rathna Bandara Director (Appointed w.e.f. January 29, 2025)	06/07
Mr. Asoka Bandara Director (Appointed w.e.f. October 31, 2025)	00/01

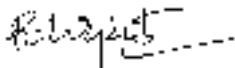
BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE (BHRRC) AND BOARD NOMINATION AND GOVERNANCE COMMITTEE (BNGC) REPORT

Board Nomination & Governance Committee Members;

Name	Attended/ Eligible
Mr. A. P. L. Fernando Chairperson (Appointed w.e.f. January 29, 2025)	09/09
Mrs. Ramani Wijeratne Director (appointed w.e.f. January 29, 2025)	08/09
Mr. Rathna Bandara Director (Appointed w.e.f. January 29, 2025)	06/09
Mr. Sujith Perera Director (Resigned w.e.f. October 01, 2025)	06/06
Mrs. P. R. Madurawala Director (Appointed w.e.f. January 29, 2025)	08/09
Mr. Chanura Wijetillake Director (Appointed w.e.f. October 31, 2025)	02/02

Summary of Activities

The Secretary to the Committees submits recommendations with the minutes of the meetings of BHRRC and BNGC for the approval of the Board of Directors. The Board approves the recommendations made by the BHRRC and BNGC during the period under review.



Ramani Wijeratne

Chairperson

Board Nomination and Governance Committee



W. Ranaweera

Chairman

Board Human Resources and Remuneration Committee

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Composition of the Committee

During the year under review, the Board Integrated Risk Management Committee (BIRMC) was comprised of five Non-Executive Directors. The professional profiles of these Directors are presented on pages xx to xxx of this report.

Under each name include whether the Directors is Executive or Non- Executive

1. Ms. P. R. Madurawala
(Committee Chairman from 29.01.2025)

2. Mrs. S. Ramani Wijerathne
Board Director
(Appointment 29.01.2025)

3. Mr. Kumara Bandara
Board Director
(Appointment 29.01.2025)

3. Mr. W. Ranaweera
Board Director
(Appointment 29.01.2025)

4. Mr. Sujith Perera
Board Director
(Appointment 29.01.2025)

5. Mr. Chanura Wijetillake
Board Director
(Appointment 31/10/2025)

Chief Executive Officer (CEO), CRO/
Assistant General Manager Risk
Management and Compliance Officer
attended the meetings on regular basis
during the year 2025.

Secretary to the Committee

The Secretary to the Board is also the Secretary to the Committee.

The Board Integrated Risk Management Committee (BIRMC) meets on a quarterly basis and more frequently if required. In accordance with the Committee Charter, the minimum quorum for a meeting comprises two Non-Executive Directors, the Chief Executive Officer (CEO) and the Chief Risk Officer (CRO).

During the year under review, the BIRMC convened seven (07) meetings. The proceedings and key deliberations of all meetings held were duly reported to the Board of Directors.

The attendance record of the Committee members is presented in the table below.

Meetings

Name of the Committee member	Attendance
Ms. P. R. Madurawala Director (Chairman of the committee)	07/07
Mrs. S. Ramani Wijerathne Director	06/07
Mr. Kumara Bandara Director	04/07
Mr. W. Ranaweera Director	06/07
Mr. Sujith Perera Director	03/07
Mr. Chanura Wijetillake Director	03/07

Charter of the Committee

The Board Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in compliance with Section 3(6) of Direction No. 12 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka," issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) under the powers vested in it by the Banking Act No. 30 of 1988.

The BIRMC supports the Board of Directors in discharging its responsibilities relating to the oversight of the Bank's risk management framework and practices. This includes the review of major risk exposures across all risk categories and the evaluation of measures implemented by management to monitor, manage, and mitigate such risks.

The Terms of Reference approved by the Board outline the roles and responsibilities of the Committee, which include the following:

1. Ensure the risk management strategy, framework and methodology are implemented/ practiced throughout the Bank consistently as per the Integrated Risk Management (IRM) Framework.
2. Adequacy and effectiveness of risk identification, measurement, monitoring and mitigation relating to credit, market, liquidity, operational and compliance risks.
3. To ensure that risk decisions are taken in accordance with established delegated authorities and corrective actions are taken to mitigate risk taken beyond the risk tolerance set by the committee, on the basis of the Bank's policies and regulatory and supervisory requirements.
4. Monitor and assess the effectiveness of the Bank's Risk Management System and the robustness of the risk management function.
5. Setting Risk Appetite and Tolerance limits to the Bank.
6. To review progress on Basel III road map implementation and regulatory guidelines.

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

7. Reviewing and upgrading Risk Management Policies of the Bank.
8. Determine the scope of the Risk Management Division (RMD) and to guide the function of RMD to ensure effective implementation of the IRM Framework.

Main Focus

The Main focus of the committee is to assist the Board of directors in all aspects of the risk of the Bank. In this concern ,the committee has reviewed the risk appetite of the Bank by focusing credit ,liquidity ,operation ,market and strategic risk of the Bank.

Activities in 2025

In discharging the above duties and responsibilities vested in the BIRMC, the Committee reviewed significant risk categories during the year, including strategic, operational, credit, market, cyber, and other emerging risks. The key activities carried out by the Committee during the year are outlined below

1. Reviewed and revised existing risk-related policies and recommended updates to relevant policies, manuals, and committee charters in alignment with the Bank's current risk profile.
2. The Key Risk Indicators (KRIs), which were enhanced to better monitor specific risk levels, were regularly reviewed to assess their adequacy in achieving the intended risk management objectives. These reviews also aimed to ensure that the KRIs remained relevant and effective in supporting proactive risk control measures. Actual monthly results were compared against established benchmarks and where deviations were identified, prompt corrective actions were recommended to mitigate potential risk exposures.
3. Reviewed reports on the Risk Appetite Framework and Risk Tolerance Limits, along with the quarterly report covering the overall risk management aspects of the Bank.
4. Reviewed the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document and assessed the adequacy of its Capital Planning framework.
5. Monitored and reviewed sectoral exposures within the Bank's loan portfolio that exceeded approved limits and provided recommendations for necessary adjustments.
6. Conducted quarterly assessments of maturity gap risk, foreign exchange risk , interest rate risk, performed stress testing on these areas to evaluate the Bank's resilience under adverse scenarios.
7. Monitored and reviewed the Bank's Loan Review Mechanism to ensure the effectiveness of credit risk management and adherence to regulatory and internal standards.
8. Reviewed comprehensive Compliance Reports submitted by the Compliance Officer to evaluate the Bank's adherence to applicable regulatory requirements.
9. Reviewed the implementation process of the Anti-Money Laundering (AML) system to ensure alignment with regulatory expectations and the Bank's internal risk management framework.
10. Established the SLFRS 9 framework and implemented the impairment assessment methodology, including the upgradation of rescheduled loan categories within the Bank.
11. Monitored and reviewed the statutory examination report and provided comprehensive recommendations to address and rectify the identified issues.
12. Monitored and reviewed various risk indicators, including cyber risk reports, interest rate risk, foreign exchange risk, operational risk compliance risk and provided recommendations to mitigate these risks effectively.
13. Monitored the Bank's Disaster Recovery (DR) drill and provided comprehensive recommendations to ensure its successful execution.
14. Collaborated closely with the Bank's Risk Management Department to support knowledge enhancement and capacity building within the team.
15. Closely monitored the activities of the Executive-level Operational Risk Management Executive Sub-Committee (ORMEC) and review the minites of the committee to assess and mitigate the Bank's operational risks on a monthly basis.
16. Monitored and reviewed the action plans of the Risk Management and Compliance Departments to ensure effective implementation and alignment with organizational objectives.
17. Monitored and reviewed the Bank's technology risk and overall resilience to ensure robust IT governance and continuity.

Reporting

The proceedings of the BIRMC meetings are communicated to the Board through the submission of meeting minutes. Additionally, reports on the Bank's Risk Profile and other specific matters are submitted separately to the Board of Directors for approval based on BIRMC's recommendations. All recommendations made by the BIRMC during the year under review were duly approved by the Board of Directors.

During 2025, the BIRMC actively supported the execution of the Bank's overall business strategy within defined risk parameters, reinforced by an effective risk management framework. The Committee's activities and risk monitoring outcomes were regularly reported to the Board of Directors.

Conclusion

In 2025, the members of the Integrated Risk Management Committee evaluated their collective performance for effectiveness and efficiency. The Committee continuously reviews the various risk areas faced by the Bank and has successfully promoted a robust

risk governance framework through the following measures:

1. Establishing a well-developed risk management policy, including clear determination of the Bank's risk appetite.
2. Effectively communicating the results of stress tests, scenario analyses, peer bank benchmarking and data analysis to ensure accurate risk reporting to the Board of Directors.
3. Enhancing staff awareness of risk management, compliance requirements, and the importance of training which are critical components in fostering a strong risk culture.

The Committee is confident that the Bank is progressing well in addressing risk management challenges and compliance obligations thereby safeguarding the interests of its stakeholders.

On behalf of the Integrated Risk Management Committee

Chairman
Integrated Risk Management Committee



Rohini Madurawala

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Pradeshiya Sanwardana Bank as at 31st December 2025 are prepared and presented in compliance with the following regulatory requirements:

1. Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
2. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
3. Banking Act No. 30 of 1988 and amendments thereto
4. Directions, circulars and guidelines issued to Licensed Specialized Banks by the Central Bank of Sri Lanka including but not limited to Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka on corporate governance; and
5. Pradeshiya Sanwardana Bank Act No. 41 of 2008.

The formats used in the presentation of the Financial Statements and disclosures are in compliance with the specified formats for the preparation of Annual Financial Statements of Licensed Specialized Banks, issued by the Central Bank of Sri Lanka.

The Accounting Policies of the Bank are in compliance with Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka from time to time. The Accounting Policies are consistently applied by the Bank. Comparative information has been re-stated wherever necessary to comply with the current year's presentation. All significant items have been disclosed and explained by way of Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Income Statement and the cash flows of the Bank for the year. We also believe that the Bank has adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

The Board of Directors and the management of the Bank accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Bank is reasonably presented.

To ensure this, the Bank has taken proper and sufficient care in implementing internal control systems, with the use of a core banking system, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Internal Auditor of the Bank has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Bank was audited by the National Audit Office. The Report issued by Auditor General is available on pages 122 to 126 of the Annual Report.

The Board Audit Committee reviews the adequacy and effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account and the processes by which compliance with the Sri Lanka Accounting Standards including SLFRS/LKAS and other regulatory provisions relating to financial reporting and disclosures are ensured. The Board Audit Committee Report is available on page to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members

of the Board Audit Committee at the Audit Committee Meeting to discuss any matter of substance.

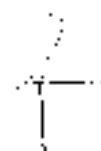
We confirm to the best of our knowledge that:

The Bank has complied with all applicable laws, rules, regulations and guidelines.

There is no material non-compliance.

There is no material litigation against the Bank other than those disclosed in Note 40 of the Financial Statements section of the Annual Report.

All taxes, duties, levies and all statutory payments by the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank as at the reporting date have been paid, or where relevant provided for.



Asanga Tennakoon
General Manager/CEO



Asela Wijayabandara
Chief Financial Officer

AUDITOR GENERAL’S REPORT ON THE STATEMENT OF INTERNAL CONTROL



Independent Assurance Report of the Auditor General to the Board of Directors on the Directors’ Statement on Internal Control over Financial Reporting of Pradeshiya Sanwardana Bank

Introduction

This report is to provide assurance on the Directors’ Statement on Internal Control over Financial Reporting included in the Director’s Statement on Internal Control (“the Statement”) of Pradeshiya Sanwardana Bank (the “Bank”) 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 9.2(b) of the Banking Act Direction No 5 of 2024 on Corporate Governance for Licensed Banks.

My Responsibility and Compliance with SLSAE 3050 (Revised)

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 Bank.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors’ Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control over Financial Reporting.

For purpose of this engagement, 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 Bank.

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

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank’s risk and control procedures. SLSAE 3050(Revised) also does not require 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.

AUDITOR GENERAL'S REPORT ON THE STATEMENT OF INTERNAL CONTROL



The procedures selected depend on my judgement, having regard to my understanding of the nature of the Bank, 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 financial reporting of the Bank.

L S I Jayarathna
Auditor General

DIRECTOR'S STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REQUIREMENT

This report has been issued in line with the Banking Act Direction No.05 of 2024, section 9.2(b) on corporate governance for Licensed Bank and prepared based on the guidelines issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

RESPONSIBILITY

The Board of Directors is responsible for Internal Control in Pradeshiya Sanwardana Bank and for reviewing its effectiveness and adequacy. However, such a system is designed to manage the Bank's key areas of risk within and acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objective of the Bank. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records of against financial losses or fraud.

BOARD REVIEW PROCESS

The internal control process is reviewed periodically by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance. The Board is of the view that the Bank has taken steps to improve the system of internal controls to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY FEATURES OF THE PROCESS

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:

- Board sub committees of Audit and Integrated Risk Management have been established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Board approved Operational Manual in relation to the Financial and other controls of the Bank is in place and has been communicated to all members of the staff.

Further, an updated operational manual has been developed and communicated to all staff of the bank upon receipt of board approval.

- The Internal Audit Division of the Bank check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report.

The Annual Audit Plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit are submitted to the Board Audit Committee for review at the periodic meetings.

- The Board Audit Committee of the Bank review internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Board Audit Committee meetings are tabled to the Board of the Bank on a periodic basis.

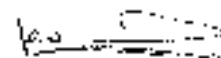
- The bank adopted the new Sri Lanka Accounting standards SLFRS – 09, Financial Instruments in 2018 and SLFRS -16, leases in 2019. The process and procedures initially applied to adopt the aforementioned accounting standards to be further strengthened based on the feedback from external Auditors, regulators and the Board Audit Committee. The bank will continue to further strengthen the process on impairment of Loans and Advances, Financial statement disclosures and Risk Management.

CONFIRMATION

Based on the above processes the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed the above Directors' statement on internal control for the year ended 31st December 2025 and are supposed to report to the Board whether anything has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board review of the design and effectiveness of the internal control system of the Bank.



Chairman – Audit Committee



Director



Director

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This statement of the Board of Directors sets out the responsibilities of the Directors relating to the Financial Reporting framework of the Bank. The responsibilities of the Auditors in relation to the Financial Statements are set out in the Report of the Auditors on pages 122 to 126 of the Annual Report.

Financial Statements

The Directors of the Bank are responsible for ensuring that the Bank keeps proper books of accounts of all the transactions and prepare Financial Statements in accordance with Generally Accepted Accounting Principles and Sri Lanka Accounting Standards (SLFRS/LKAS) that give a true and fair view of the state of affairs of the Bank at the end of each financial year and in compliance with the relevant statutory /regulatory requirements. The Financial Statements comprise of Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes there to.

The Directors Acknowledge that in the preparation of Financial Statements for the ended 31st December 2025, presented in the Annual Report, the most appropriate accounting policies have been used, applied consistently and adequately disclosed. Reasonable and prudent judgements have been made where necessary in order to ensure the proper reflection of the form and substance of transaction in the process of preparing Financial Statements.

The Financial Statements for the year ended 31st December 2025 are in conformity with the requirements of the Pradeshiya Sanwardana Bank Act No. 41 of 2008, Banking Act No. 30 of 1988 and amendments thereto, Sri Lanka Accounting Standards and other statutory / regulatory requirements. These Financial Statements reflects true and fair view of the state of affairs of the bank as at 31st December 2025.

Going Concern

The Directors are of the view that the Bank has adequate resources to continue in business for the foreseeable future and accordingly, continued to adopt going concern basis in preparing the Financial Statements.

Internal Control, Risk Management and Compliance

The Directors are also responsible for the system of internal financial controls and risk management and paying significant attention on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst

Emphasizing inherent risks that cannot be completely eliminated, the Bank has taken possible steps to mitigate them by ensuring various systems and other controls. A report by the Directors on the Bank's internal control mechanism confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting is given on page 119 of the Annual Report.

The Directors and Management have put in place risk management policies and guidelines. Board Sub Committees have been established to monitor and manage material risks and arrangements been made to submit reports on risk to the Integrated Risk Management Committee on periodic basis for discussion.

Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by Compliance Division and is reported to the Integrated Risk Management Committee and Board of Directors periodically.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, play a significant role in strengthening the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee

are included on page 109 and 113 respectively of the Annual Report.

The Auditor General has been made available with all records of the Bank including the Financial Statements by the Board of Directors and been provided every opportunity to undertake the inspections they considered appropriate.

Compliance

The Directors, to the best of their knowledge and belief, are satisfied that all taxes payable by the Bank and all other known statutory dues to the Government and to the other relevant regulatory and statutory authorities, which were due and payable by the Bank as at the end of financial year, have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board'



Secretary to the Board (Covering up the duties)



FINANCIAL REPORT

Auditor General's Report	122
Statement of Profit or Loss	127
Statement of Comprehensive Income	128
Statement of Financial Position	129
Statement of Changes in Equity	130
Statement of Cash Flows	131
Notes to the Financial Statements	133
Ten Years Summary	210
Investor Information	214

AUDITOR GENERAL'S REPORT



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAN/E/RDB/2025/11

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

27 March 2026

Chairman

Pradeshiya Sanwardana Bank

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Pradeshiya Sanwardana Bank for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

I. Financial Statements

I.1 Opinion

The audit of the Financial Statements of the Pradeshiya Sanwardana Bank (the "Bank") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow 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 and Finance Act No.38 of 1971. My report to parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

I.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SL AuSs). 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 Other information included in the Bank's 2025 Annual Report

The other information comprises the information included in the Bank's 2025 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 Bank's 2025 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.

1.4 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

AUDITOR GENERAL'S REPORT



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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Bank.

1.5 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 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 Bank.
- 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 Bank'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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the section 39 of the Banking Act No. 30 of 1988 (as amended by Banking Act No.24 of 2024) includes 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 Bank as per the requirement of 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) (ii) of the National Audit Act, No. 19 of 2018.

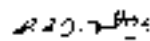
2.1.3 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.1.4 The disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No.05 of 2024 issued by Central Bank of Sri Lanka.

AUDITOR GENERAL'S REPORT



- 2.2 Based on the procedures performed and evidences 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 Bank has any direct or indirect interest in any contract entered into by the Bank 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 Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 13 (g) of the National Audit Act, No. 19 of 2018.
- 2.2.4 to state that the resources of the Bank had not been procured and utilized 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. Jayarama
 Auditor General

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
Gross income	7	42,813,920,557	39,552,222,682
Interest income		40,438,816,011	37,922,124,939
Interest expenses		(16,213,169,721)	(18,367,644,729)
Net interest income	8	24,225,646,290	19,554,480,210
Fee and commission income		2,226,924,782	1,951,331,988
Fee and commission expenses		(818,871,224)	(597,798,919)
Net fee and commission income	9	1,408,053,558	1,353,533,069
Net trading gain/(loss)	10	34,594,517	(403,171,327)
Other operating income (net)	11	113,585,247	81,937,082
Total operating income		25,781,879,613	20,586,779,034
Impairment (charges)/reversal	12	(353,562,570)	832,607,642
Net operating income		25,428,317,043	21,419,386,676
Less-Operating expenses			
Personnel expenses	13	(12,405,918,682)	(11,944,838,711)
Depreciation and amortization expenses		(650,198,692)	(610,550,869)
Other expenses	14	(3,055,224,492)	(2,675,420,680)
Operating profit before taxes		9,316,975,177	6,188,576,416
Less : Value Added Tax on Financial Services		(3,061,814,265)	(2,617,138,233)
Social Security Contribution Levy		(425,375,444)	(361,560,652)
Profit before Income tax expense		5,829,785,467	3,209,877,531
Income tax (expense) /reversal	15	(3,457,512,886)	(1,934,428,043)
Profit for the year		2,372,272,581	1,275,449,488
Earnings per share			
Basic Earnings per share	16.1	4.22	2.27
Diluted Earnings per share	16.2	4.22	2.27

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 133 to 208.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
Profit for the year		2,372,272,581	1,275,449,488
Other Comprehensive income/(expenses)			
Other Comprehensive income not to be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation	33.3	70,199,703	(1,075,753,719)
Deferred tax effect on actuarial gain on defined benefit plans	27.1	(21,059,911)	322,726,116
Revaluation gain on free hold lands and buildings		1,429,409,826	-
Deferred tax impact on revaluation reserve	27.1	(301,239,412)	-
Total Other Comprehensive income for the year, net of taxes		1,177,310,205	(753,027,603)
Total comprehensive income for the year		3,549,582,786	522,421,885

Figures in brackets indicate deductions.

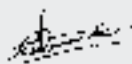
The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 133 to 208.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025	Note	2025 Rs.	2024 Rs.
Assets			
Cash and cash equivalent	18	4,869,722,062	827,778,892
Placements with banks	19	15,105,877,538	18,339,705,502
Equity instruments at fair value through profit or loss	20	312,739	264,680
Financial assets at amortized cost - Loans and receivables from other customers	21	283,613,762,517	227,167,843,090
Financial assets at amortized cost - Debt & other instruments	22	49,091,982,572	67,995,195,057
Equity instruments at fair value through other comprehensive income	23	153,434,669	153,434,669
Property, plant and equipment	24	2,759,762,712	1,255,230,096
Intangible assets	25	39,527,242	77,206,661
Right of use assets	26.1	1,014,620,226	1,059,813,006
Deferred tax assets	27	2,524,971,134	2,848,048,109
Other assets	28	3,001,771,680	4,106,834,929
Total assets		362,175,745,091	323,831,354,691
Liabilities			
Due to banks	29	34,889,573,456	36,412,871,655
Due to other customers	30	283,715,706,932	253,664,001,776
Current tax liabilities	31	1,787,249,711	531,164,074
Other liabilities	32	15,787,627,945	10,787,707,965
Retirement benefit obligation	33	4,057,860,699	4,047,465,661
Total liabilities		340,238,018,743	305,443,211,130
Equity			
Stated capital	34	8,521,864,568	8,521,864,568
Statutory Reserve Fund	35	1,070,809,861	952,196,232
Retained Earnings		5,819,842,126	4,110,111,527
Revaluation Reserve		1,128,170,414	-
Other Reserves	36	5,397,039,379	4,803,971,234
Total shareholders' equity		21,937,726,348	18,388,143,561
Total equity and liabilities		362,175,745,091	323,831,354,691
Contingent liabilities and commitments	39	1,718,692,311	491,464,404

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 133 to 208.

I certify that the financial statements are prepared in compliance with the requirements of the Banking Act No. 30 of 1988 and the Pradeshiya Sanwardana Banking Act No: 41 of 2008.



Asela Wijayabandara
Chief Financial Officer




Asanga Tennakoon
General Manager / CEO

The Board of Directors is responsible for these Financial Statements which were approved by the Board of Directors and signed on their behalf of;



Chairman/ Director



Director

25 March 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025	Stated	Statutory	Special	General	Revaluation	Retained	Total
	Capital	Reserve Fund	Reserve Fund	Reserve Fund	Reserve	Earnings	
	Note 34	Note 35	Note 36	Note 36			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance as at 01st January 2024	8,521,864,568	888,423,757	742,814,085	3,742,294,776	-	3,970,324,488	17,865,721,674
Total Comprehensive Income for the year							
Profit for the year	-	-	-	-	-	1,275,449,488	1,275,449,488
Other comprehensive Income, net of tax	-	-	-	-	-	(753,027,603)	(753,027,603)
Total comprehensive income for the year	-	-	-	-	-	522,421,885	522,421,885
Transactions with equity holders, recognized directly in equity							
Issued stated capital	-	-	-	-	-	-	-
Transferred to Statutory Reserve Fund	-	63,772,474	-	-	-	(63,772,474)	-
Transferred to Special Reserve Fund	-	-	63,772,474	-	-	(63,772,474)	-
Transferred to General Reserve Fund	-	-	-	255,089,898	-	(255,089,898)	-
Transactions with equity holders, recognized directly in equity	-	63,772,474	63,772,474	255,089,898	-	(382,634,846)	-
Balance as at 31st December 2024	8,521,864,568	952,196,232	806,586,560	3,997,384,674	-	4,110,111,526	18,388,143,561
Balance as at 01st January 2025	8,521,864,568	952,196,232	806,586,560	3,997,384,674	-	4,110,111,526	18,388,143,561
Total Comprehensive Income for the year							-
Profit for the year	-	-	-	-		2,372,272,581	2,372,272,581
Actuarial gain on retirement benefit obligation	-	-	-	-		70,199,703	70,199,703
Deferred tax effect on actuarial gain on defined benefit plans						(21,059,911)	(21,059,911)
Revaluation gains of free hold lands and buildings					1,429,409,826		1,429,409,825
Deferred tax impact on revaluation reserve					(301,239,412)		(301,239,412)
Total comprehensive income for the year	-	-	-	-	1,128,170,414	2,421,412,374	3,549,582,786
Transactions with equity holders, recognized directly in equity							
Issued stated capital	-	-	-	-	-	-	-
Transferred to Statutory Reserve Fund	-	118,613,629	-	-	-	(118,613,629)	-
Transferred to Special Reserve Fund	-	-	118,613,629	-	-	(118,613,629)	-
Transferred to General Reserve Fund	-	-	-	474,454,516	-	(474,454,516)	-
Transactions with equity holders, recognized directly in equity	-	118,613,629	118,613,629	474,454,516	-	(711,681,774)	-
Balance as at 31st December 2025	8,521,864,568	1,070,809,861	925,200,189	4,471,839,190	1,128,170,414	5,819,842,126	21,937,726,347

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 133 to 208.

STATEMENT OF CASH FLOWS

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
Cash flow from operating activities			
Profit before tax		5,829,785,467	3,209,877,531
Adjustment for:			
Non-cash items included in profit before tax			
Depreciation of property, plant and equipment/ Amortization of ROU	24/26.1	606,051,696	555,538,312
Amortization of intangible assets	25	44,146,996	55,118,663
Interest expense on leases	26.2	62,515,828	19,921,980
Interest expense on debentures		-	-
Dividend income	10	(5,313,752)	(4,906,869)
Impairment charges	12	353,562,570	(832,607,642)
Changes in equity Instruments at fair value through profit or loss	10	(48,410)	(118,860)
Exchange gain/ (loss)	10	(29,232,355)	408,197,056
Charge for retirement benefit obligation	33.1	644,945,348	522,460,641
(Profit) / loss on sale of Property, plant and equipment	11	(2,089,632)	880,401
Recoveries of NPL loans (Written Off)	11	(84,378)	(102,827)
Changes in operating assets			
Net change in loans and receivables from other customers		(57,749,933,674)	(31,540,888,059)
Net Change in other assets		879,925,401	2,146,624,644
Net change in Financial investments at amortized cost-Debt & other instruments		3,498,387,049	2,064,429,320
Changes in operating liabilities			
Net change in due to banks		(2,413,745,044)	(2,079,693,019)
Net change in due to other customers		30,051,705,156	27,584,387,004
Net change in other liabilities		5,061,302,239	3,469,447,459
Gratuity paid		(489,112,921)	(351,694,352)
Tax Paid		(2,200,649,597)	(464,979,339)
Net cash generated from/(used in) operating activities		(15,857,882,012)	4,761,892,044
Cash flows from investing activities			
Purchase of Property, plant and equipment	24	(347,611,800)	(402,413,181)
Purchase of intangible assets	25	(6,367,979)	(19,922,968)
Investment in Unit Trusts	22	1,501,725,766	(1,501,725,766)
Investment in Fixed deposits (more than three months)	22.2	(5,548,835,139)	4,557,466,935
Proceeds from the sale of property, plant and equipment		2,089,632	880,401
Dividend Income Received	10	5,313,752	4,906,869
Net cash (used in)/from investing activities		(4,393,685,769)	2,639,192,290

STATEMENT OF CASH FLOWS

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
Cash flows from financing activities			
Payment of principal of Operating Lease	26.2	(385,299,074)	(364,606,031)
Net proceeds from the Term Loans	29	(1,523,298,199)	(9,795,607,628)
Redemption of Debentures		-	-
Interest paid on debentures		-	-
Net cash from financing activities		(1,908,597,275)	(10,160,213,660)
Net increase/(decrease) in cash & cash equivalents		(22,160,165,056)	(2,759,129,326)
Cash & cash equivalents at the beginning of the year		59,677,466,266	62,436,595,592
Cash and cash at the end of the year		37,517,301,210	59,677,466,266
Reconciliation of Cash & Cash Equivalents			
Cash and cash equivalent	18	4,869,722,061	1,993,732,971
Favorable balances with banks			
Placements with Banks		23,228,779,171	35,016,600,395
Fixed deposits less than three months	22.2	9,418,799,977	22,667,132,900
Unfavorable balances with banks		-	-
		37,517,301,210	59,677,466,266

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 133 to 208.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Reporting Entity

Pradeshiya Sanwardana Bank can be traced back to as far as 1985 when district level banks under the category of Regional Rural Development Banks were established. Later in 1997, seventeen such Regional Development Banks were merged into six provincial level banks, which functioned as Rajarata, Ruhuna, Wayamba, Uva, Kandurata and Sabaragamuwa Development Banks. In May 2010, these six banks were merged into one national level bank and designated as the Pradeshiya Sanwardana Bank. The Bank was established as a statutory body under the Pradeshiya Sanwardana Bank Act No.41 of 2008. The registered office of the Bank is located at No 933, Kandy Road, Wedamulla, Kelaniya.

Permanent, training and contract staff strength of the bank as at 31 December 2025 was 3,250 (3,224 as at 31 December 2024).

1.2 Principal Activities and Nature of Operation

The principal activities of the Bank are to facilitate the overall economic development of Sri Lanka by promoting the development of agriculture, industry, trade, commercial, livestock, fisheries activities, and empowerment of women, mainly by granting financial assistance to Micro Finance Institutions and Small and Medium Enterprises.

1.3 Director's Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements of the Bank, in compliance with provisions of the Pradeshiya Sanwardhana Banking Act No: 41 of 2008 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

1.4 Approval of Financial Statements by Board of Directors

The Financial Statements of the Bank for the year ended 31 December 2025 were authorized for issue by the Board of Directors on 25th March 2026.

2. BASIS OF PREPARATION

2.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for the following material items:

- The liability for defined benefit obligations is actuarially valued and recognized as the present value of the defined benefit obligation.
- Derivative financial instruments and non- derivative financial instruments held at Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value.

2.2 Statement of Compliance

The Financial Statements, as at 31 December 2025 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Banking Act No. 30 of 1988 and amendments thereto and Pradeshiya Sanwardhana Banking Act No: 41 of 2008 and amendments thereto.

2.3 Functional and Presentation Currency

The Financial Statements of the Bank are presented in Sri Lanka Rupees, which is the currency of the primary economic environment in which Pradeshiya Sanwardana Bank operates. Financial information presented in Sri Lankan Rupees has been rounded to the nearest rupees unless indicated otherwise.

2.4 Materiality and Aggregation

In compliance with LKAS 01 – "Presentation of Financial Statements", each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

2.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

2.6 Comparative Information

The comparative information is reclassified whenever necessary to confirm with the current year's presentation and to be in compliance with the Circular No 2 of 2019 issued by Central Bank of Sri Lanka on publication of Annual and Quarterly Financial Statements and other Disclosures by Licensed banks in order to provide a better presentation.

2.7 Presentation of Financial Statements

The items of the Bank presented in their Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made to the inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 42.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements of the Bank in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur.

Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

(i) Judgements

(a) Classification of Financial Assets

The Bank used judgements when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal amount of the outstanding.

(b) Assessment of Credit Risk

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(c) Business combinations under common control

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts. No new goodwill is recognized as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity.

Business combination was carried out by using provisional/estimated figures and during a reasonable period.

Pradeshiya Sanwardana Bank is required to reassess assets and liabilities merged as of 1 April 2019 and adjust merger reserve accordingly.

(ii) Assumptions and Estimation Uncertainty

Going Concern

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs of these models are taken from observable markets where possible, however if such data are not available, a degree of judgment is exercised in establishing fair values which minimize the effect of use of unobservable inputs.

Taxation

The Bank is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of preparation of these Financial Statements.

Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, which result in adjustments to tax income and expenses and deferred tax amounts that were initially recorded in the Financial Statements, Note 15, Note 27 and Note 31.

Measurement of Defined Benefit Obligations

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates and the expected future salary increase rate of the Bank.

Useful Lifetime of the Property and Equipment

The Bank reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

4. CHANGES IN ACCOUNTING POLICIES

A fundamental reform of major interest rate benchmark is being undertaken globally, replacing certain interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform") Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform Phase 1 and Phase 2. The effective date of both IBOR reform Phase 1 and Phase 2 amendments are for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context and the requirements under phase 2 amendments have to be applied retrospectively.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms and revision of operational controls related to the reform and regulatory risk.

NOTES TO THE FINANCIAL STATEMENTS

Financial risk is predominantly limited to interest rate risk. Bank has commenced a process to evaluate the impact from this reform on its financial instruments. This process will involve evaluating the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform, how to manage communication about IBOR reform with counterparties and the changes required for the existing credit policies.

As at 31 December 2025, the IBORs for certain key currencies to which the Bank has exposure to are in the process of reforming.

5. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

The Accounting Policies have been applied consistently by the Bank except for the changes in accounting policies described in Note 4.

5.1 Financial Assets and Liabilities

5.1.1 Recognition and Initial Measurement

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

5.1.2 Classification of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the Income Statement when the inputs become observable, or when the instrument is derecognized.

5.1.2.1 Financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost (Note 5.1.2.1.1)
- Financial assets fair value through profit or loss (FVTPL), as explained in (Note 5.1.2.1.2)
- Financial assets measured at fair value through other comprehensive income (Note 5.1.2.1.3)

The classification depends on the Bank's business model for managing financial assets and the contractual terms of the financial assets' cash flows. The Bank classifies its financial liabilities at amortized cost unless it has designated liabilities at fair value through profit.

5.1.2.1.1 Financial assets at amortized cost - Loans and advances to customers

The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise to specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimize exposure to risks or volatility in the

contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

5.1.2.1.2 Financial assets fair value through profit or loss (FVTPL)

Financial assets fair value through profit or loss comprises:

- Financial investments - for trading.
- Instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in the statement of profit or loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of profit or loss as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Financial investments - for trading

A financial investment is classified as financial assets recognized through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Investments in equity securities are classified as financial assets recognized through profit or loss and recognized at fair value. Refer Note 20.

Financial instruments designated as measured at fair value through profit or loss.

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e., eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis. The Bank does not designate any financial instruments under this category.

NOTES TO THE FINANCIAL STATEMENTS

5.1.2.1.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

Investment in equity instruments that are neither trading financial assets recognized through profit or loss, nor contingent consideration recognized by the Bank in a business combination to which SLFRS 3 “Business Combination” applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by Management due to long term nature of investment. For portfolios where Management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognized in profit or loss.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in the Income Statement as net trading gain/(loss) when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

5.1.2.2 Financial liabilities

The initial and subsequent measurement of financial liabilities depends on their classification as described below:

At the inception the Bank determines the classification of its financial liabilities. Accordingly, financial liabilities are classified as:

- Financial liabilities at Fair Value through Profit or Loss (FVTPL) (Note 5.1.2.2.1)
 - ◆ Financial liabilities held for trading.
 - ◆ Financial liabilities designated at fair value through profit or loss.
- Financial liabilities at amortised cost (Note 5.1.2.2.2)

The subsequent measurement of financial liabilities depends on their classification.

5.1.2.2.1 Financial liabilities at Fair Value through Profit or Loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial

recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of the portfolio that is managed together for short term profit or position taking. This category includes derivative financial instruments entered in to by the Bank which are not designated as hedging instruments in the hedge relationships as defined by the Sri Lanka Accounting Standards – SLFRS 7 on “Financial Instruments: Disclosures”.

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

The Bank does not have any financial liabilities under this category.

5.1.2.2.2 Financial liabilities at amortised cost

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities at amortised cost under “due to customers and other borrowings” as appropriate, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at 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 integral part of the EIR. The EIR amortisation is included in “interest expenses” in the income statement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

This category consists of due to Banks, Due to other customers, and Debt issued and another borrowed fund.

5.1.2.3 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires,

disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2025.

5.1.2.4 De-recognition of financial assets and liabilities

De-recognition due to substantial modification of terms and conditions

The Bank de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to de-recognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition other than for substantial modification

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-recognized when the rights to receive cash flows from the financial asset have expired. The Bank also de-recognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.

Or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset.

Or,

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

NOTES TO THE FINANCIAL STATEMENTS

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is 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 recognized in the Income Statement.

5.1.2.5 Impairment

Recognition of ECL

The bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under SLFRS 9.

The 12-month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained below. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired. The bank records an allowance for the LTECLs.

POCI : Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. The Bank does not have any POCI assets as of the reporting date.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on four probability-weighted scenarios to measure the 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 calculations 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 recognized and is still in the portfolio.

EAD : The Exposure at Default 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 and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

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

When estimating the ECLs, the Bank considers three scenarios base case, best case, and worst case. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1: The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.

The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI : POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR. The Bank does not have any POCI assets as of the reporting date.

Financial Guarantee contracts: For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and, the ECL is recognized within Provisions.

Calculations of ECL for individually significant loans

The Bank first assesses ECLs individually for financial assets that are individually significant to the Bank. In the event the Bank determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the asset is impaired the amount of the loss measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairments only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

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

- Aggregate exposure to the customer including any undrawn exposures.

NOTES TO THE FINANCIAL STATEMENTS

- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations.
- The amount and timing of expected receipts and recoveries.
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Bank and the likelihood of other creditors continuing to support the Bank.
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident.
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession.
- The likely deduction of any costs involved in recovery of amounts outstanding.
- The ability of the borrower to obtain and make payments in the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to the Income Statement. The accumulated loss recognized in OCI is recycled to the profit and loss upon de-recognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation rate
- Interest Rates
- Exchange Rate US\$: LKR
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Therefore, bank also considers the following qualitative factors.

- Average LTV
- Government Policies
- Status of the Industry Business
- Regulatory impact

5.1.3 Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under SLFRS 9 is the same as it was under LKAS 39.

5.1.3.1 Collateral repossessed.

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

5.1.4 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

5.1.5 Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance 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. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not de-recognized, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 21.3. The Bank also considers whether the assets should be classified as Stage 3.

5.1.6 Foreclosed Properties

Foreclosed properties represent properties that are acquired in full or partial satisfaction of debts the shortfall between the prevailing market value of the foreclosed asset and related loan outstanding is recognized as a provision for loan losses in the Income Statement during the year of acquiring the said property in satisfaction of debt.

5.1.7 Offsetting Financial Instruments

Financial assets and financial liabilities are off set and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements therefore, the related assets and liabilities are presented gross in the Statement of financial position.

5.2 Property, Plant and Equipment

Property, Plant & Equipment (PPE) are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the asset can be reliably measured.

Items of PPE are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. The depreciation is recognized in the Income Statement on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use. Land is not depreciated. The estimated useful lives are as follows:

Building	20 Years
Computer Equipment	05 Years
Office Equipment	05 Years
Motor Vehicles	05 Years
Furniture	06 Years
Iron Safes	10 Years
Partition and fittings	05 Years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank.

The carrying amount of an item of PPE is derecognized 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 recognized in other operating income/expense in the Income Statement in the year the asset is derecognized.

Capital Work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

5.2.1. Revaluation model

The bank applies the revaluation model to entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the date of revaluation less than any subsequent accumulated depreciation of buildings and subsequent accumulated impairment losses. Freehold land and buildings of the bank are revalued at least once every four years on a rollover basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

On revaluation of an asset, any increase in the carrying amount is recognized in other-comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Profit or Loss. In this circumstance, the increase is recognized as income to the extent of the previous previously recognized loss. Any decrease in the amount of value is recognized as an expense in the profit or loss or charged to the other comprehensive income to the extent of any credit balance remaining in the revaluation reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

5.3 Leases

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

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

5.3.1 Bank acting as a lessee.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any,

and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets separately and lease liabilities under other liabilities in the Statement of Financial Position.

5.3.1.1 Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.3.2 Bank acting as a lessor.

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

5.4 Intangible Assets

The Bank's other intangible assets include the value of computer software.

An intangible asset is recognized 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 Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial yearend. 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 amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the Income Statement.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software : 3 Years

5.5 Impairment of Non-financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU, subject to an operating segment ceiling test.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Profit or Loss Statement.

5.6 Financial Guarantees

"Financial guarantees" are contracts that require the Bank to make specific payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. "Loan commitments" are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value

NOTES TO THE FINANCIAL STATEMENTS

is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

5.7 Retirement Benefit Obligation

5.7.1 Defined Benefit Pension Plan-Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan' as defined in the Sri Lanka Accounting Standard - LKAS 19 – "Employee Benefits".

5.7.2 Gratuity

In compliance with the Gratuity Act No.12 of 1983 provision is made in the accounts.

An actuarial valuation is carried out at every year end to ascertain the full liability under the Fund. The valuation was carried out as at 31st December 2025 by Actuarial & Management Consultants (Pvt) Ltd, a qualified actuary using the projected unit credit method.

Recognition of Actuarial gains and losses: The Bank recognizes the total actuarial gains and losses that arise in calculating the Bank'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.

5.7.3 Defined Contribution Pension Plan

'A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods' as defined in the Sri Lanka Accounting Standard - LKAS 19 – "Employee Benefits".

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability.

1. Employees' Provident Fund

The Bank and Employees contribute to the Employees Provident Fund at 15% and 10% respectively.

2. Employees' Trust Fund

The Bank contributes to the Employees' Trust Fund at 3%.

5.8 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

5.9 Recognition of Income and Expenses

5.9.1 Interest Income and Expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Income Statement.

Interest income on FVOCI investment securities calculated on an effective interest basis is also included in interest income.

5.9.2 Fees and Commission Income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following category:

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, loan service charges, inspection charges and stationary charges recovered from the customers.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

5.9.3 Net Gains/ (Losses) from Trading

This income comprises gains less losses related to trading / FVTPL assets and includes all realized and unrealized fair value changes.

5.9.4 Profits / Losses from Sale of Property, Plant and Equipment

Any profits or losses from sale of property, plant and equipment are recognized in the period in which the sale occurs and is classified as net other operating income.

5.10 Taxation

As per Sri Lanka Accounting Standard - LKAS 12 - "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the Income Statement except to the extent it relates to items recognized directly in 'Equity' or 'other comprehensive income (OCI)', in which case it is recognized in Equity or in OCI.

5.10.1 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 reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 15 to the Financial Statements.

5.10.2 Deferred Tax

Deferred tax is recognized 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 recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credit 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 utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent

NOTES TO THE FINANCIAL STATEMENTS

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 realized 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 recognized directly in equity are also recognized in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.10.3 VAT on Financial Services

The value base for Value Added Tax (VAT) for the Bank is the adjusted accounting profit before tax, emoluments of employees and economic depreciation computed for the owned fixed assets. The total value addition arrived for the entire bank has to be apportioned in accordance to the applicable turnover; turnover has to be quantified in line with the turnover applicable for general VAT and VAT on Financial Services. The Value Addition Attributable for Financial Services" shall be derived with the application of the turnover ratio distinguishing general VAT and VAT on Financial Services. Tax fraction 18/120.5 shall be applied on the value addition attributable to financial services in order to derive the total VAT liability for a particular period.

5.10.4 Withholding Tax (WHT) on Dividends

Dividends distributed out of profits after tax attract a 15% tax deduction in the hands of the dividend recipient (individuals are taxed at the progressive tax rates, 6%, 12%, 18%, 24%, 30% and balance 36%). Unlike in the period before January 2020, withholding tax on dividends is not a tax at source and it shall not be deducted at the time of dividends are distributed; the shareholders shall receive dividends at gross.

5.10.5 Social Security Contribution Levy (SSCL)

SSCL on financial services is calculated based on the total value addition used for the purpose of VAT on financial services in accordance with the Social Security Contribution Act, No.25 of 2022 from 1 October 2022. The bank is liable to pay SSCL on financial services at the rate of 2.5% on the value addition attributable to the supply of the financial services. Tax fraction 2.5/120.5

shall be applied on the value addition attributable to financial services in order to derive the total SSCL liability for a particular period.

5.10.6 Crop Insurance Levy (CIL)

As per the provisions of Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, CIL is payable at 1% of the profit after tax.

Section 14 of the Finance Act No. 12 of 2013 impose a crop insurance levy on institutions under the purview of;

- Banking Act No. 30 of 1988
- Finance Companies Act No. 78 of 1988
- Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, Bank is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 1 April 2013.

5.10.7 IFRIC 23 - Uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 "Income Taxes". It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated within certain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Bank applies significant judgement in identifying uncertainties over income tax treatments. Since the Bank operates in a complex environment, it assessed Bank the interpretation had an impact on its Financial Statements.

Upon adoption of the interpretation, the Bank considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Bank in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments.

The Bank determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be statements of the accepted by the taxation authorities. The interpretation did not have an impact on the Financial Statements of the Bank.

5.11 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

5.12 Earnings per Share (EPS)

The Bank presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.13 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 became effective for financial periods beginning on or after 1 January 2018. The core principle of SLFRS 15 is that an entity has to recognize revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as discussed.

- 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.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

5.14 Statement of Cash Flow

The cash flow statement has been prepared by using The Indirect Method in accordance with the Sri Lanka Accounting Standard - LKAS 7 – “Statement of Cash Flows”. Cash and cash equivalents comprise cash in hand and 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 include cash in hand, other bank balances, Placement with banks, Investments in Fixed deposits (less than 3 month) and net of unfavorable bank balances.

5.15 Reserves

5.15.1 Statutory Reserve Fund

The Statutory Reserve Fund is maintained as required in terms of the section 20 (1) and (2) of the Banking Act No. 30 of 1988. Accordingly, the Bank should transfer a sum equivalent not less than 5% out of net profit after taxation but before any dividend is declared to the Statutory Reserve Fund until the Statutory Reserve Fund is equal to 50% of the paid-up capital.

5.15.2 General Reserve Fund

The general reserve is the result of the Bank transferring the 20% of profit from retained earnings accounts to the general reserve account. The purpose of setting up the general reserve is to meet potential future unknown liabilities.

5.15.3 Special Reserve Fund

The Special Reserve Fund is the result of the Bank transferring the 5% of profit from retained earnings accounts to the Special Reserve account. The purpose of setting up to meet potential future unknown liabilities.

6 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1 January 2026. Accordingly, the following new and amended standards are not expected to have a significant impact on the Bank's Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

6.1. SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. 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. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

7. GROSS INCOME

Year ended 31 December	Note	2025 Rs.	2024 Rs.
Interest income	8.1	40,438,816,011	37,922,124,939
Fee and commission income	9	2,226,924,782	1,951,331,988
Net trading gain/(loss)	10	34,594,517	(403,171,327)
Other operating income	11	113,585,247	81,937,082
Total Gross Income		42,813,920,557	39,552,222,682

8. NET INTEREST INCOME

8.1 Interest Income

Year ended 31 December	2025 Rs.	2024 Rs.
Placements with banks	1,363,523,826	873,253,478
Financial assets at amortized cost		
Loans and receivables from other customers	34,065,704,281	29,014,857,316
Debt & other instruments	5,009,587,904	8,034,014,145
Total interest income	40,438,816,011	37,922,124,939

8.2 Interest expense

Year ended 31 December	2025 Rs.	2024 Rs.
Due to banks	(1,742,100,128)	(2,044,712,241)
Due to other customers	(14,408,553,765)	(16,304,613,767)
Interest expense on lease liabilities	(62,515,828)	(18,318,721)
Total interest expenses	(16,213,169,721)	(18,367,644,729)
Net interest income	24,225,646,290	19,554,480,210

9. NET FEE AND COMMISSION INCOME

Year ended 31 December	2025 Rs.	2024 Rs.
Fee and commission income	2,226,924,782	1,951,331,988
Fee and commission expenses	(818,871,224)	(597,798,919)
Net fee and commission income	1,408,053,557	1,353,533,069
Comprising		
Loans	1,693,244,152	1,463,089,109
Trade and Remittances	10,580,789	12,330,527
Deposits	(637,020,422)	(470,823,976)
Others	341,249,038	348,937,408
Net fee and commission income	1,408,053,557	1,353,533,069

NOTES TO THE FINANCIAL STATEMENTS

10. NET TRADING GAIN/(LOSS)

Year ended 31 December	2025	2024
	Rs.	Rs.
Financial assets recognized through profit or loss - fair value change	48,410	118,860
Exchange (loss)/ gain	29,232,355	(408,197,056)
Dividend income	5,313,752	4,906,869
Total	34,594,517	(403,171,327)

11. NET OTHER OPERATING INCOME

Year ended 31 December	2025	2024
	Rs.	Rs.
Gain/ (Loss) on disposal of property, plant and equipment	2,089,632	880,401
Recovery of loans written off	84,378	102,827
Other income	111,411,238	80,953,854
Total	113,585,247	81,937,082

12. IMPAIRMENT CHARGES

Year ended 31 December	Note	2025	2024
		Rs.	Rs.
Financial assets at amortized cost - Loans and receivables from other customers	21.2	(551,271,364)	1,201,964,034
Financial assets measured at amortized cost - debt and other instruments	22.3	(5,829,870)	973,307
Undrawn credit commitments and financial guarantees	39.1.1	(7,432,986)	12,084,608
Other assets	28.1	210,971,649	(382,414,307)
Net impairment (charge) / reversal for loans and other losses		(353,562,570)	832,607,642

13. PERSONNEL EXPENSES

Year ended 31 December	2025	2024
	Rs.	Rs.
Salary and bonus	8,147,135,032	7,724,954,038
Contributions to EPF/ETF	1,096,342,021	1,130,316,993
Contributions to defined benefit plans	652,301,349	537,963,233
Others	2,510,140,281	2,551,604,448
Total	12,405,918,682	11,944,838,711

14. OTHER EXPENSES

Year ended 31 December		2025	2024
		Rs.	Rs.
Directors' emoluments		3,907,866	3,455,852
Auditors' remunerations		6,407,537	3,248,292
Professional and legal expenses		24,423,787	9,801,398
Office administration and establishment expenses		2,326,499,291	2,102,259,657
Computerization expenses		428,511,985	331,800,166
Business tax expenses		3,212,812	2,905,451
Other commission paid		180,272	329,238
Deposit Insurance Premium		232,144,955	211,576,401
Crop insurance levy		24,182,456	4,038,776
Staff security deposits interest		5,740,839	6,000,526
Capital loss on pawning advance		12,692	4,923
Total		3,055,224,492	2,675,420,680

15. INCOME TAX EXPENSE

15.1 Amounts Recognized in Profit or Loss

Year ended 31 December	Note	2025	2024
		Rs.	Rs.
Current Tax Expense			
Tax on current year's profits	15.3	2,787,217,357	1,259,739,071
Under/(Over) provision in respect of previous years		669,517,877	239,993,922
		3,456,735,234	1,499,732,993
Deferred Tax Expense			
(Reversal)/Charge on temporary differences	27.2	777,653	434,695,051
		777,653	434,695,051
Total income tax expense recognized in profit or loss		3,457,512,886	1,934,428,043

15.2 Amounts Recognized in Other Comprehensive Income

Year ended 31 December	Note	2025	2024
		Rs.	Rs.
Deferred Tax Expense			
(Reversal)/Charge on temporary differences	27.2	322,299,323	(322,726,116)
Total income tax expense recognized in other comprehensive income		322,299,323	(322,726,116)

NOTES TO THE FINANCIAL STATEMENTS

15.3 Reconciliation of the accounting profit to income tax expense

Year ended 31 December	Note	2025 Rs.	2024 Rs.
Profit before income tax expense		5,829,785,467	3,209,877,531
Exempt income			
Interest Income		(1,072,993,238)	(1,529,331,416)
Add : Disallowable expenses		5,710,488,454	3,530,914,546
Less : Allowable expenses		(1,171,242,408)	(1,007,423,557)
Taxable Income from Business		9,296,038,274	4,204,037,104
Tax liability for the year ending		30%/15%	30%/15%
Tax @ 30%		2,787,217,357	1,259,739,071
Tax @ 15%		-	-
Tax on current year's profits		2,787,217,357	1,259,739,071
Deferred tax reversal	27.2	777,653	434,695,051
Under/(Over) provision in respect of previous years		669,517,877	239,993,922
Income tax expense		3,457,512,886	1,934,428,043
Effective current tax rate		59.31%	60.26%

15.4 Reconciliation of effective tax rate

Year ended 31 December		2025 Rs.		2024 Rs.
	%		%	
Profit before income tax expense		5,829,785,467		3,209,877,531
Income tax for the period	30.00	1,748,935,640	30.00	962,963,259
Tax effect of expenses that are not deductible for tax purposes	29.39	1,713,146,536	33.00	1,059,274,364
Tax effect of expenses that are deductible for tax purposes	-6.03	(351,372,722)	-9.42	(302,227,067)
Exempt income	-5.55	(323,492,097)	-14.34	(460,271,485)
Tax on Dividend Income	0.00	-	0.00	-
Deferred tax reversal (Note 27.2)	0.0	777,653	13.5	434,695,051
(Over)/ under provision in respect of previous years	11.48	669,517,877	7.48	239,993,922
Total Income Tax Expense	59.31	3,457,512,886	60.26	1,934,428,043

Except for the Dividend income receipts, current tax on profits from Banking and Leasing businesses has been computed at the rate of 30% for the year of assessment, dividend income taxed at the rate of 15%. Apart from that, Interest received on Foreign currency accounts are exempted from Income Tax.

The Bank applied the revised rate of 30% in line with the inland revenue amendments Act No.45 of 2022 to calculate the income tax liability and deferred tax assets/liabilities as at 31st December 2025.

16. EARNINGS PER SHARE

16.1 Basic Earnings per Share

Basic Earnings per Share has been calculated by dividing Profit after Tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31 December 2025 and 31 December 2024.

Year ended 31 December	2025 Rs.	2024 Rs.
Profit for the year attributable to ordinary equity holders of the Bank (Rs.)	2,372,272,581	1,275,449,488
Weighted average number of ordinary shares in issue (No.)	561,484,675	561,484,675
Basic earnings per ordinary share	4.22	2.27

16.2 Diluted Earnings per Share

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

17. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

As at 31 December 2025	Note	Financial assets measured at fair value through other profit or loss Rs.	Financial assets measured at amortized cost Rs.	Financial assets measured at fair value through other comprehensive income Rs.	Total Rs.
Financial Assets					
Cash and cash equivalent	18	-	4,869,722,061	-	4,869,722,061
Placements with banks	19	-	15,105,877,538	-	15,105,877,538
Equity Instruments at fair value through profit or loss	20	312,739	-	-	312,739
Financial assets at amortized cost-Loans and receivables from other customers	21	-	283,613,762,517	-	283,613,762,517
Financial investments at amortized cost-Debt & other instruments	22	-	49,091,982,571	-	49,091,982,571
Equity Instruments at fair value through other comprehensive income	23	-	-	153,434,669	153,434,669
Other financial assets	28	-	608,232,674	-	608,232,674
Total financial assets		312,739	353,289,577,361	153,434,669	353,443,324,769

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025	Note	Financial liabilities measured at fair value through other profit or loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Liabilities					
Due to banks	29	-	34,889,573,456	-	34,889,573,456
Due to other customers	30	-	283,715,706,932	-	283,715,706,932
Other liabilities	32	-	13,585,617,543	-	13,585,617,543
Total financial liabilities		-	332,190,897,931	-	332,190,897,931

As at 31 December 2024	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and cash equivalent	18	-	827,778,892	-	827,778,892
Placements with banks	19	-	18,339,705,502	-	18,339,705,502
Financial assets held-for-trading/Equity Instruments at fair value through profit or loss	20	264,680	-	-	264,680
Financial assets at amortized cost-Loans and receivables from other customers	21	-	227,167,843,090	-	227,167,843,090
Financial assets at amortized cost-Debt & other instruments	22	-	67,995,195,057	-	67,995,195,057
Equity Instruments at fair value through other comprehensive income	23	-	-	153,434,669	153,434,669
Other financial assets	28	-	3,061,819,687	-	3,061,819,687
Total financial assets		264,680	317,392,342,226	153,434,669	317,546,041,575

As at 31 December 2024	Note	Financial liabilities measured at fair value through other profit or loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Liabilities					
Due to banks	29	-	36,412,871,655	-	36,412,871,655
Due to other customers	30	-	253,664,001,775	-	253,664,001,775
Other liabilities	32	-	8,899,595,789	-	8,899,595,789
Total financial liabilities		-	298,976,469,220	-	298,976,469,220

18. CASH AND CASH EQUIVALENTS

As at 31 December	2025	2024
	Rs.	Rs.
Cash in hand	1,316,689,962	1,057,585,796
Other bank balances	3,553,032,099	(229,806,905)
	4,869,722,061	827,778,892

19. PLACEMENTS WITH BANKS

As at 31 December	2025	2024
	Rs.	Rs.
Money market placements	15,105,877,538	18,339,705,502
Total placements with banks	15,105,877,538	18,339,705,502

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025			2024		
	No. of Shares	Cost of Investment	Market Value	No. of Shares	Cost of Investment	Market Value
		Rs.	Rs.		Rs.	Rs.
Quoted Equities						
PMF Finance PLC	600	5,160	7,739	600	5,160	4,680
Seylan Development PLC	10,000	140,000	305,000	10,000	140,000	260,000
	10,600	145,160	312,739	10,600	145,160	264,680

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES FROM OTHER CUSTOMERS

As at 31 December	Note	2025	2024
		Rs.	Rs.
Gross loans and receivables	21.1	302,539,821,126	244,788,393,686
(Less): Staff loan fair value adjustment		(1,664,274,672)	(911,447,410)
		300,875,546,454	243,876,946,275
Less: Expected Credit Loss Allowance - Individual Impairment	21.2.1	(1,741,338,910)	(1,366,955,154)
Less: Expected Credit Loss Allowance - Collective Impairment	21.2.2	(15,520,445,027)	(15,342,148,031)
Net loans and receivables from other customers		283,613,762,517	227,167,843,090

NOTES TO THE FINANCIAL STATEMENTS

21.1 Analysis of Financial Assets at Amortized Cost - Loans and Receivables from Other Customers

21.1.1 By product

As at 31 December	2025 Rs.	2024 Rs.
Pawning	85,026,671,887	59,382,717,060
Staff loans	7,554,311,898	6,539,021,827
Leasing	3,216,311,065	1,752,917,987
Short-term	20,944,481,108	18,792,369,559
Long-term	185,798,045,167	158,321,367,252
Gross total	302,539,821,126	244,788,393,686

21.1.1 By currency

As at 31 December	2025 Rs.	2024 Rs.
Sri Lankan rupee	302,539,821,126	244,788,393,686
Gross total	302,539,821,126	244,788,393,686

21.1.3 By industry

As at 31 December	2025 Rs.	2024 Rs.
Agriculture and fishing	38,173,776,628	37,946,775,084
Manufacturing	37,839,109,192	32,715,057,687
Leasing	3,216,311,065	1,752,917,987
Transport	63,404,635	38,689,710
Construction /housing	14,072,155,139	13,802,551,910
Traders	27,011,607,216	28,901,233,498
Others (consumptions/against deposit/staff/tourism)	182,163,457,250	129,631,167,810
Gross total	302,539,821,126	244,788,393,686

21.2 Expected Credit Loss Allowance

21.2.1 Individual Impairment

	2025 Rs.	2024 Rs.
Balance as at 01 January	1,366,955,154	1,485,177,219
Net charge to profit or loss	374,383,756	(118,222,065)
Balance as at 31 December	1,741,338,910	1,366,955,154

21.2.2 Collective Impairment

	2025 Rs.	2024 Rs.
Balance as at 01 January	15,342,148,031	16,426,679,281
Net charge to profit or loss	176,887,608	(1,083,741,969)
Recoveries of Advances Written Off in Previous Year	-	(102,827)
Other movements/ Write off	1,409,388	(686,454)
Balance as at 31 December	15,520,445,027	15,342,148,031

21.3 Analysis of Loans and Receivables from Other Customers based on Exposure to Credit Risk

As at 31 December 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loans	-	1,140,744,359	1,862,577,588	3,003,321,947
Loans subjected to collective impairment				
Term Loan Other	8,260,823,258	469,532,548	448,125,007	9,178,480,812
Term Loan Industrial	8,651,979,286	2,528,533,000	4,812,612,781	15,993,125,067
Term Loan Commercial	21,281,519,419	8,514,400,529	4,947,009,326	34,742,929,274
Term Loan Agriculture	18,981,288,503	3,350,686,221	3,673,778,040	26,005,752,764
Term Loan Housing	68,192,835,415	4,292,015,884	4,879,855,493	77,364,706,792
Refinance - Agriculture	9,149,126,249	1,625,744,189	956,228,207	11,731,098,645
Refinance - Commercial	1,353,487,205	622,581,171	486,588,683	2,462,657,060
Refinance - Industrial	6,612,040,807	1,797,530,320	793,130,567	9,202,701,694
Refinance - Other	63,306,240	80,471,053	327,028,063	470,805,356
Liyaisura	-	-	24,867,562	24,867,562
Pawning	82,991,143,136	1,907,273,893	128,254,858	85,026,671,887
Leasing	2,445,411,257	539,732,673	50,964,605	3,036,108,535
Staff loans	7,478,068,930	24,393,094	51,849,873	7,554,311,898
Loans Against Deposits	15,829,444,635	767,071,572	28,178,999	16,624,695,205
SME	-	-	117,586,627	117,586,627
Gross loans to & receivable from other customers	251,290,474,340	27,660,710,507	23,588,636,279	302,539,821,126
Impairment for expected credit losses	(3,803,358,814)	(2,166,657,591)	(11,291,767,533)	(17,261,783,938)
Net loans to & receivable from other customers*	247,487,115,526	25,494,052,915	12,296,868,746	285,278,037,188

* before zero rated loan and staff loan adjustments

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loans	-	878,876,145	1,977,478,560	2,856,354,705
Loans subjected to collective impairment				
Term Loan Other	7,288,349,857	733,222,631	436,734,152	8,458,306,641
Term Loan Industrial	6,728,758,383	3,854,091,792	4,102,418,789	14,685,268,964
Term Loan Commercial	16,519,254,172	6,580,485,416	5,166,204,941	28,265,944,529
Term Loan Agriculture	14,218,191,524	4,856,012,861	3,724,836,687	22,799,041,072
Term Loan Housing	41,052,903,904	6,842,811,118	5,359,119,472	53,254,834,494
Refinance	15,219,554,071	11,315,171,625	5,192,008,072	31,726,733,768
Liyaisura	-	-	27,846,122	27,846,122
Pawning	55,901,448,812	3,417,723,023	82,245,548	59,401,417,383
Leasing	1,318,618,752	268,238,725	97,832,743	1,684,690,221
Staff loans	6,478,456,663	21,790,917	38,786,248	6,539,033,827
Loans Against Deposits	14,200,999,215	754,729,470	15,082,914	14,970,811,599
SME		-	118,110,361	118,110,361
Gross loans to & receivable from other customers	178,926,535,353	39,523,153,725	26,338,704,609	244,788,393,686
Impairment for expected credit losses	(2,887,421,434)	(2,789,899,348)	(11,031,782,404)	(16,709,103,187)
Net loans to & receivable from other customers*	176,039,113,918	36,733,254,376	15,306,922,205	228,079,290,499

* before zero rated loan and staff loan adjustments

22 FINANCIAL ASSETS AT AMORTISED COST-DEBT AND OTHER INSTRUMENTS

As at 31 December	Note	2025 Rs.	2024 Rs.
Quoted debentures	22.1	1,153,354,815	1,661,984,951
Government debt securities-Treasury Bills		8,122,901,633	16,676,894,894
Government debt securities-Treasury Bonds		4,751,907,747	5,385,443,416
Investment In Unit Trust		-	1,501,725,766
Investment in Fixed Deposits	22.2	35,071,034,738	42,770,532,521
Total financial assets at amortized cost		49,099,198,933	67,996,581,548
Less: Expected Credit Loss Allowance	22.3	(7,216,361)	(1,386,491)
Net financial assets at amortized cost		49,091,982,571	67,995,195,057

22.1 Quoted Debentures

	2025			2024		
	No of Debentures	Cost of Investment Rs.	Amortized Cost Rs.	No of Debentures	Cost of Investment Rs.	Amortized Cost Rs.
DFCC	-	-	-	5,000,000	500,000,000	508,630,137
Seylan Bank	1,077,200	107,720,000	115,316,473	1,077,200	107,720,000	115,316,473
Bank of Ceylon	10,000,000	1,000,000,000	1,038,038,341	10,000,000	1,000,000,000	1,038,038,341
Total	11,077,200	1,107,720,000	1,153,354,815	16,077,200	1,607,720,000	1,661,984,952

22.2 Investment in Fixed Deposits

As at 31 December	2025 Rs.	2024 Rs.
Fixed deposits less than three months	9,418,799,977	22,667,132,900
Fixed deposits more than three months	25,652,234,761	20,103,399,621
Total	35,071,034,738	42,770,532,521

22.2.1 Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments

22.2.1.1 By Currency

As at 31 December	2025 Rs.	2024 Rs.
Sri Lankan Rupee	15,595,901,736	24,627,980,380
United States Dollar	19,475,133,002	18,142,552,141
Total Financial assets measured at amortised cost	35,071,034,738	42,770,532,521

22.2.1.2 By Collateralisation

As at 31 December	2025 Rs.	2024 Rs.
Pledged as collateral	2,072,086,197	1,985,570,901
Unencumbered	32,998,948,541	40,784,961,620
Total Financial assets measured at amortised cost	35,071,034,738	42,770,532,521

22.2.1.3 Reconciliation for Financial Assets Measured at Amortised Cost - Debt and Other Instruments

	Note	2025 Rs.	2024 Rs.
Balance as at 1 January		25,224,662,537	61,100,245,774
Net Acquisitions and Maturities during the Year		(11,196,498,342)	(35,874,196,746)
Less: Expected Credit Loss Allowance	22.3	(7,216,361)	(1,386,491)
Balance as at 31 December		14,020,947,834	25,224,662,537

NOTES TO THE FINANCIAL STATEMENTS

22.3 Expected Credit Loss Allowance

	2025 Rs.	2024 Rs.
Balance as at 1st January	1,386,491	2,359,798
Net Charge (Reversal) for the year	5,829,870	(973,307)
Balance as at 31 December	7,216,361	1,386,491

23 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	2025 Rs.	2024 Rs.
Unquoted Equity Securities	23.1	153,434,669	153,434,669
Balance as at 31 December		153,434,669	153,434,669

23.1 Unquoted Equity Securities

	2025			2024		
	No. of Shares/ Percentage	Cost of Investment Rs.	Market Value Rs.	No of Shares	Cost of Investment Rs.	Market Value Rs.
	CRIB	1,821	2,289,919	2,289,919	1,821	2,289,919
NCGI	15,114,475	15,115,485	151,144,750	15,114,475	15,115,485	151,144,750
Total	15,116,296	17,405,404	153,434,669	15,116,296	17,405,404	153,434,669

24 PROPERTY, PLANT AND EQUIPMENT

	2025							Total
	Land and Buildings	Leasehold properties	Computer, Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Partition & Fittings	Work-in Progress	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Opening balance as at 01 January 2025	813,598,590	1,250,590,990	1,544,158,987	386,359,308	578,110,621	6,076,164	657,900	4,579,552,559
Additions	709,176	128,973,878	130,508,417	-	77,848,860	9,571,469	-	347,611,800
Revaluation	1,203,653,499							1,203,653,499
Disposals	-	(19,803,943)	(22,171,445)	-	(54,167)	-	-	(42,029,556)
Write off	-	-	-	-	-	-	-	-
Transfers during the Year	-	-	-	-	-	-	-	-
Reclassification								
Adjustments	(1,916,920)	(178,250)	(1,392,275)	-	(297,110)	-	-	(3,784,556)
Closing balance as at 31 December 2025	2,016,044,345	-	1,359,582,675	1,651,103,683	655,608,204	15,647,633	657,900	6,085,003,748
(Less): Accumulated depreciation								
Opening balance as at 01 January 2025	282,337,883	840,102,628	1,349,683,924	386,275,106	465,922,922	-	-	3,324,322,464
Revaluation	(220,394,496)							(220,394,496)
Charge for the year	27,339,100	127,274,799	68,762,296	-	41,138,700	-	-	264,514,895
Disposals	-	(19,801,226)	(22,172,459)	-	(54,149)	-	-	(42,027,835)
Written off	-	-	-	-	-	-	-	-
Transfers during the Year	-	-	-	-	-	-	-	-
Reclassification								
Adjustments	(1,150,000)	(25,570)	298,676	-	(297,098)	-	-	(1,173,992)
Closing balance as at 31 December 2025	88,132,487	-	947,550,630	1,396,572,436	506,710,375	-	-	3,325,241,035
Net book value as at 31 December 2025	1,927,911,858	-	412,032,044	254,531,246	148,897,829	15,647,633	657,900	2,759,762,712

NOTES TO THE FINANCIAL STATEMENTS

	2024							Total
	Land and Buildings	Leasehold properties	Computer, Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Partition & Fittings	Work-in Progress	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Opening balance as at 01 January 2024	726,085,636	1,076,462,080	1,470,703,090	387,032,835	531,207,385	67,337,917	657,900	4,259,486,845
Additions	87,607,823	190,091,893	77,278,669	-	47,434,796	-	-	402,413,181
Disposals	(94,869)	(15,517,536)	(3,146,986)	(673,527)	(623,524)	-	-	(20,056,442)
Written off	-	-	-	-	-	-	-	-
Transfers during the Year	-	-	-	-	-	(61,261,754)	-	(61,261,754)
Reclassification Adjustments	-	(445,448)	(675,786)	-	91,964	-	-	(1,029,270)
Closing balance as at 31 December 2024	813,598,590	1,250,590,990	1,544,158,987	386,359,308	578,110,621	6,076,164	657,900	4,579,552,559
(Less): Accumulated depreciation								
Opening balance as at 01 January 2024	255,277,965	743,722,281	1,290,939,341	386,944,823	420,774,072	-	-	3,097,658,483
Charge for the year	27,154,786	111,904,827	60,167,627	3,799	45,698,846	-	-	244,929,885
Disposals	(94,868)	(15,508,070)	(3,146,797)	(673,516)	(623,510)	-	-	(20,046,762)
Written off	-	-	-	-	-	-	-	-
Transfers during the Year	-	-	0	-	-	-	-	0
Reclassification Adjustments	-	(16,411)	1,723,753	-	73,514	-	-	1,780,856
Closing balance as at 31 December 2024	282,337,883	840,102,628	1,349,683,924	386,275,106	465,922,922	-	-	3,324,322,464
Net book value as at 31 December 2024	531,260,707	410,488,362	194,475,063	84,202	112,187,699	6,076,164	657,900	1,255,230,096

24.1 Fully Depreciated Property, Plant and Equipment

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

As at 31 December	2025 Rs.	2024 Rs.
Building	8,215,520	8,215,520
Computer, Hardware	633,074,983	562,676,819
Office, Equipment, Furniture and Fittings	1,163,373,207	940,067,406
Motor Vehicles	372,324,294	315,365,532
Partition & Fittings	349,256,431	324,675,399
Software	341,687,880	366,809,102
	2,867,932,315	2,517,809,777

24.2 Title restrictions on property, plant and equipment

There were no title restrictions on property, plant and equipment of the Bank as at the reporting date.

24.3 Property, plant and equipment pledged as security for liabilities

No freehold property, plant and equipment have been pledged as security for any liability.

24.4 Compensation from third parties for items of property, plant and equipment

There were no compensation received/ receivable from third parties for items of property, plant and equipment which were impaired or given up.

24.5 Temporally idle property, plant and equipment

There were no temporally idle property, plant and equipment as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

24.6 Freehold Lands and Buildings at Cost

The details of freehold land and buildings held by the Bank as at 31st December 2025 are as follows:

Location	Extent (Perches)	Building (Square feet)	Date of valuation
H/O - No 933, Kandy Rd, Wedamulla, Kelaniya	71.0	36,606	March 5, 2012
Central Province			
Dambulla - No734, Anuradhapura Road, Dambulla	8.2	2,928	December 18, 2003
Wilgamuwa - Hettipola, Wilgamuwa	41.1	1,808	August 24, 2009
Agarapathana - No158, Hoolbrook, Agarapatana	13.9	1,600	August 17, 2012
Naula- 26, Dambulla Road, Naula	20.0	2,034	February 25, 1998
Laggala - New Town -Laggala	-	3,212	
North Central Province			
Mihinthale - Trincomalee Road, Mihinthale	21.7	4,280	December 30, 2005
Medawachchiya - Mannar Road, Madawachchiya	20.0	3,840	March 19, 2013
Galenbindunuwewa - Pola Road, Galenbindunuwewa	61.7	2,772	March 14, 2013
Medirigiriya - Main Street, Madirigiriya	54.2	5,200	December 31, 2007
Siripura - New Town, Siripura	29.5	4,600	February 24, 2016
Thirappane - Kandy Road, Thirappane	61.2	8,400	December 8, 2016
North Western Province			
Mawathagama - Kandy Road, Mawathagama	21.5	-	March 3, 2016
P/O Kurunegala - No 155, Negombo Rd, Kurunegala	32.9	8,100	December 29, 2004
Polpithigama - Kurunegala Road, Polpithigama	-	2,846	December 30, 2014
Mampuri - Kalpitiya Road, Mampuri	80.0	2,803	December 30, 2014
Palakuda - Kalpiti Road, Thalawila	20.3	2,161	March 25, 2003
Nattandiya - Marawila Road, Naththandiya	15.7	3,972	February 11, 2003
Wariyapola-No 29/4, Adhikari Mawatha, Wariyapola.	-	7,100	November 12, 2013
29/4 Adikari Mawatha, Wariyapola - District office	10.0	-	July 2, 2023
Puttalm 618/Puttlam South - Lease hold Building	-	2,890	
Southern Province			
Kekanadura - Weherahena Rd, Kekanadura	12.0	-	May 10, 2004
Akmeemana - Ganegoda, Akmeemana	6.5	1,747	October 2, 1993
Galle Branch /DO- No 301, Matara rd, Magalle, Galle	30.0	5,820	October 9, 1999
Katuwana - Uda Gomadiya Road, Katuwana	21.0	2,531	March 22, 2001
Tangalle - 81, Beliatta Road, Tangalle	49.0	1,648	May 5, 2005
Uragasmanhandiya - Kosgoda Road, Uragasmanhandiya	-	2,996	April 10, 2012
Ambalantota - 139, Hambantota Road, Ambalantota	22.2	2,492	August 30, 2004
Agunakolapelessa, Ranna Road, Agunakolapelessa	-	1,100	August 27, 2001
No .01 Galwala Road, Hambantota	118.2	7,502	
Thalgaswala			April 26, 2022
Uva Province			
Girandurukotte - Development Centre,Girandurukotte	-	1,661	November 30, 2011
Monaragal D/O - Monaragala Road, Buttala.	-	1,739	October 22, 1999
Sabaragamuwa Province			
Balangoda - No17, Rest House Approach Road, Balangoda	20.0	-	February 18, 2013
Eastern Province			
Eastern Province - Dehiattakandiya		1,458	
Total			

Cost of Land	Cost of Building	Total Value	Accumulated Depreciation	Written Down Value
Rs	Rs	Rs	Rs	Rs
142,244,280	140,192,136	282,436,416	84,789,050	197,647,366
		-		-
565,000	21,277,952	21,842,952	4,058,098	17,784,854
-	10,469,862	10,469,862	7,452,670	3,017,192
	1,260,000	1,260,000	719,999	540,001
2,471,252	8,600,539	11,071,791	5,161,242	5,910,549
-	23,565,250	23,565,250	7,763,620	15,801,630
		-		-
-	25,337,078	25,337,078	10,499,020.78	14,838,058
-	16,192,223	16,192,223	10,524,944.95	5,667,278
-	5,820,073	5,820,073	3,481,304.68	2,338,768
-	9,643,650	9,643,650	8,687,928.64	955,722
-	22,291,625	22,291,625	10,981,366.28	11,310,259
-	46,435,602	46,435,602	16,792,992.06	29,642,610
		-		-
10,801,311		10,801,311	-	10,801,311
22,008,250	18,227,912	40,236,162	12,136,972.30	28,099,189
-	16,782,785	16,782,785	9,042,747.76	7,740,037
-	25,188,128	25,188,128	13,612,067.33	11,576,061
-	5,792,157	5,792,157	4,612,244.49	1,179,913
-	36,799,082	36,799,082	12,720,239.84	24,078,842
-	35,609,963	35,609,963	16,864,316.20	18,745,647
9,586,744	-	9,586,744	-	9,586,744
-	19,490,931	19,490,931	2,142,974.26	17,347,957
		-		-
1,418,000	1,194,535	2,612,535	1,194,262.27	1,418,273
-	1,748,326	1,748,326	681,659	1,066,667
1,750,000	13,779,269	15,529,269	5,124,575	10,404,695
1,320,000	7,406,958	8,726,958	7,405,267	1,321,691
1,620,667	1,675,534	3,296,201	1,675,533	1,620,668
-	13,354,618	13,354,618	8,497,562	4,857,056
2,000,000	3,070,100	5,070,100	3,069,399	2,000,701
-	3,470,348	3,470,348	2,694,717	775,631
	48,160,824	48,160,824	19,533,064	28,627,759
3,004,320		3,004,320	-	3,004,320
		-		-
	3,227,674	3,227,674	2,331,070	896,605
3,162,263		3,162,263	1,973,691	1,188,572
		-		-
6,679,574		6,679,574	-	6,679,574
		-		-
	5,778,419	5,778,419	1,134,312	4,644,108
208,631,661	603,759,185	812,390,846	303,920,668	508,470,178

NOTES TO THE FINANCIAL STATEMENTS

24.7 Valuations of the Lands and Buildings

The Bank carries its land and building at fair value. Valuations of the above land and building were carried out as at 31 December 2025 by Professional independent valuer who is an associate member of Institute of Valuers of Sri Lanka using market approach.

Location	Extent (Perches)	Building (Square feet)	Date of valuation
H/O - No 933, Kandy Rd, Wedamulla, Kelaniya	71.0	36,606	December 16, 2025
Central Province			
Dambulla - No734, Anuradhapura Road, Dambulla	8.2	2,928	December 12, 2025
Wilgamuwa -Hettipola, Wilgamuwa	41.1	1,808	December 12, 2025
Agarapathana - No158, Hoolbrook, Agarapatana	13.9	1,600	December 11, 2025
Naula- 26,Dambulla Road,Naula	20.0	2,034	December 11, 2025
Laggala-New Town -Laggala	-	3,212	December 12, 2025
North Central Province			
Mihinthale - Trincomalee Road, Mihinthale	21.7	4,280	November 18, 2025
Medawachchiya - Mannar Road, Madawachchiya	20.0	3,840	November 20, 2025
Galenbindunuwewa - Pola Road, Galenbindunuwewa	61.7	2,772	November 18, 2025
Medirigiriya - Main Street, Madirigiriya	54.2	5,200	November 16, 2025
Siripura - New Town, Siripura	29.5	4,600	November 16, 2025
Thirappane - Kandy Road, Thirappane	61.2	8,400	November 20, 2025
North Western Province			
Mawathagama - Kandy Road, Mawathagama	21.5	-	November 18, 2025
P/O Kurunegala - No 155, Negombo Rd, Kurunegala	32.9	8,100	December 8, 2025
Polpithigama - Kurunegala Road,Polpithigama	-	2,846	November 18, 2025
Mampuri - Kalpitiya Road, Mampuri	80.0	2,803	March 30, 2025
Palakuda - Kalpiti Road, Thalawila	20.3	2,161	April 3, 2025
Nattandiya - Marawila Road, Naththandiya	15.7	3,972	October 26, 2025
29/4 Adikari Mawatha, Wariyapola - District office	10.0	7,100	December 8, 2025
Puttalm 618/Puttlam South - Lease hold Building	-	2,890	March 30, 2025
Southern Province			
Kekanadura - Weherahena Rd, Kekanadura	12.0	-	December 15, 2025
Akmeemana - Ganegoda, Akmeemana	6.5	1,747	November 26, 2025
Galle Branch/DO - No 301, Matara Rd, Magalle, Galle	30.0	5,820	December 17, 2025
Katuwana - Uda Gomadiya Road, Katuwana	21.0	2,531	November 26, 2025
Tangalle - 81, Beliatta Road, Tangalle	49.0	1,648	March 23, 2025
Uragasmanhandiya - Kosgoda Road, Uragasmanhandiya	-	2,996	November 26, 2025
Ambalantota - 139, Hambantota Road, Ambalantota	22.2	2,492	April 10, 2025
Agunakolapelessa, Ranna Road, Agunakolapelessa	-	1,100	November 23, 2025
No. 01, Galwala Road, Hambantota	118.2	7,502	December 19, 2025
Uva Province			
Girandurukotte - Development Centre, Girandurukotte	-	1,661	November 12, 2025
Monaragal D/O - Monaragala Road, Buttala.	-	1,739	November 17, 2025
Sabaragamuwa Province			
Balangoda - No17, Rest House Approach Road, Balangoda	20.0	-	November 24, 2025
Eastern Province			
Eastern Province - Dehiattakandiya		1,458	December 1, 2025
Total			

Revalued Amount of Land	Revalued Amount of Building	Total Revalued Value
Rs	Rs	Rs
284,000,000	-	284,000,000
-	-	-
45,100,000	27,816,000	72,916,000
8,220,000	13,017,600	21,237,600
9,644,750	2,250,000	11,894,750
7,984,000	15,560,100	23,544,100
-	24,571,800	24,571,800
-	-	-
11,011,840	32,100,000	43,111,840
22,022,400	26,112,000	48,134,400
29,694,585	16,632,000	46,326,585
29,975,500	27,846,000	57,821,500
8,850,000	27,738,000	36,588,000
40,433,126	57,120,000	97,553,126
-	-	-
53,750,000	-	53,750,000
200,675,000	50,017,500	250,692,500
-	18,150,000	18,150,000
24,000,000	22,424,000	46,424,000
10,150,000	7,347,400	17,497,400
21,952,000	27,962,880	49,914,880
75,000,000	51,918,750	126,918,750
-	17,340,000	17,340,000
-	-	-
-	21,000,000	21,000,000
6,175,000	8,251,600	14,426,600
60,000,000	51,800,000	111,800,000
43,850,000	19,500,000	63,350,000
58,800,000	2,142,400	60,942,400
-	21,200,000	21,200,000
35,456,000	6,354,600	41,810,600
-	7,500,000	7,500,000
70,920,000	31,508,400	102,428,400
-	-	-
-	6,877,350	6,877,350
-	12,450,000	12,450,000
-	-	-
49,000,000	-	49,000,000
-	-	-
-	10,900,000	10,900,000
1,206,664,201	665,408,380	1,872,072,581

NOTES TO THE FINANCIAL STATEMENTS

25. INTANGIBLE ASSETS

	2025	2024
	Rs.	Rs.
Computer Software		
Cost		
Balance as at 1st January	467,922,062	475,107,341
Additions	6,367,979	19,922,968
Written off		
Reclassification Adjustments	127,734	-
Disposals	-	(27,108,248)
Balance as at 31st December	474,417,775	467,922,062
Accumulated Amortization	390,715,401	362,704,986
Balance as at 1st January	44,146,996	55,118,663
Charge for the year	-	(27,108,248)
Disposals	28,137	
Reclassification Adjustments	434,890,534	390,715,401
Balance as at 31st December	39,527,242	77,206,661
Net book value	39,527,242	77,206,661

25.1 There were no restriction on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

26. LEASES

Leases as lessee

Bank has obtained certain branches and office premises under Lease. The leases generally run for a period of 05 years, with an option to renew the lease after that date.

26.1 Right of Use Assets

	2025		
	Building Rs.	Motor Vehicles Rs.	Total Rs.
Cost			
Balance as at 1 January 2025	2,731,697,826	70,539,460	2,802,237,286
Opening balance modifications - Buildings	16,169,373	-	16,169,373
Additions and Improvements	298,430,376	-	298,430,376
Balance as at 31 December 2025	3,046,297,576	70,539,460	3,116,837,035
Accumulated Amortization			
Balance as at 1 January 2025	1,671,884,821	70,539,460	1,742,424,281
Prepayment's ammortization	21,565,555		21,565,555
Opening Balance Modifications	(3,309,827)		(3,309,827)
Charge for the Period	341,536,801	-	341,536,801
Balance as at 31 December 2025	2,031,677,350	70,539,460	2,102,216,810
Net book Value as at 31 December 2025	1,014,620,225	-	1,014,620,225
	2024		
	Building Rs.	Motor Vehicles Rs.	Total Rs.
Cost			
Balance as at 1 January 2024	2,205,669,332	70,539,460	2,276,208,792
Opening balance modifications - Buildings	(581,052)	-	(581,052)
Additions and Improvements	526,609,546	-	526,609,546
Balance as at 31 December 2024	2,731,697,826	70,539,460	2,802,237,286
Accumulated Amortization			
Balance as at 1 January 2024	1,345,425,271	70,539,459	1,415,964,731
Prepayment's ammortization	16,432,176	-	16,432,176
Opening Balance Modifications	(581,052)	-	(581,052)
Charge for the Period	310,608,426	-	310,608,426
Balance as at 31 December 2024	1,671,884,821	70,539,459	1,742,424,281
Net book Value as at 31 December 2024	1,059,813,006	-	1,059,813,006

NOTES TO THE FINANCIAL STATEMENTS

26.2 Lease Liabilities

	2025		
	Building Rs.	Motor Vehicles Rs.	Total Rs.
Balance as at 1 January 2025	1,096,295,487	-	1,096,295,487
Opening balance modifications - Buildings	17,736,187	-	17,736,187
Additions	271,404,632	-	271,404,632
Accretion of Interest	62,515,828	-	62,515,828
Payments	(385,299,074)	-	(385,299,074)
Balance as at 31 December 2025	1,062,653,060	-	1,062,653,060

	2024		
	Building Rs.	Motor Vehicles Rs.	Total Rs.
Balance as at 1 January 2024	938,468,152	-	938,468,152
Opening balance modifications - Buildings	(1,603,260)	-	(1,603,260)
Additions	504,114,646	-	504,114,646
Accretion of Interest	19,921,980	-	19,921,980
Payments	(364,606,031)	-	(364,606,031)
Balance as at 31 December 2024	1,096,295,487	-	1,096,295,487

26.2.1 Maturity Analysis of Lease Liability - Contractual Undiscounted Cashflows

As at 31 December 2025	2025 Rs.	2024 Rs.
Less than one year	48,183,812	25,998,283
One to five years	1,014,469,248	1,070,297,204
	1,062,653,060	1,096,295,487

26.3 Amounts Recognized in Profit or Loss

Interest on lease liability	62,515,828	19,921,980
Amortization charge for the year	341,536,801	310,608,426
	404,052,629	330,530,406

26.4 Amounts Recognized in Statement of Cash Flows

Lease rental payments	385,299,074	364,606,031
	385,299,074	364,606,031

27. DEFERRED TAX ASSETS/ LIABILITIES

Deferred tax asset	(3,012,974,266)	(2,938,436,802)
Deferred tax liability	488,003,133	90,388,694
Net deferred tax (asset)/ liability	(2,524,971,134)	(2,848,048,109)

27.1 Amounts recognized in the Income Statement

As at 31 December 2025	2025 Rs.	2024 Rs.
Recognized in profit or loss	777,653	434,695,051
Recognized in other comprehensive income	322,299,323	(322,726,116)

27.2 Movement in deferred tax balances

2025	Net Balance as at 01.01.2025	Recognized in profit or loss	Recognized in OCI	Net Balance at 31.12.2025	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	55,169,638	(5,490,468)	-	49,679,171	-	49,679,171
PPE Carrying Value Land & Building-P&L	22,693,730	103,241,441	-	125,935,171		125,935,171
Revaluation Gain-land & Building-OCI	-		301,239,412	301,239,412		301,239,412
Leases	12,525,325	(1,375,946)	-	11,149,380	-	11,149,380
Allowance for loan losses	(1,713,252,359)	(89,013,758)	-	(1,802,266,117)	(1,802,266,117)	-
Employee Benefits	(1,214,239,698)	(3,118,511)	21,059,911	(1,196,298,299)	(1,196,298,299)	-
Operating Lease	(10,944,745)	(3,465,106)	-	(14,409,850)	(14,409,850)	-
	(2,848,048,108)	777,653	322,299,323	(2,524,971,133)	(3,012,974,266)	488,003,133
2024	Net Balance as at 01.01.2024	Recognized in profit or loss	Recognized in OCI	Net Balance at 31.12.2024	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	90,179,852	(12,316,483)	-	77,863,369	-	77,863,369
Leases	32,041,324	(19,515,999)	-	12,525,325	-	12,525,325
Allowance for loan losses	(2,209,897,710)	496,645,351	-	(1,713,252,359)	(1,713,252,359)	-
Employee Benefits	(848,873,281)	(42,640,301)	(322,726,116)	(1,214,239,698)	(1,214,239,698)	-
Operating Lease	(23,467,227)	12,522,483	-	(10,944,745)	(10,944,745)	-
	(2,960,017,043)	434,695,051	(322,726,116)	(2,848,048,108)	(2,938,436,802)	90,388,694

NOTES TO THE FINANCIAL STATEMENTS

28. OTHER ASSETS

As at 31 December 2025	Note	2025 Rs.	2024 Rs.
Cost			
Financial Assets			
Receivables		152,469,682	2,761,579,062
Deposits and Advances		15,903,849	22,557,735
Sundry Debtors		134,456,237	59,743,279
Others		305,402,906	217,939,610
		608,232,674	3,061,819,687
Non Financial Assets			
Prepayment		224,511,998	168,419,802
Others		1,958,055,359	1,259,009,747
Tax Receivables		-	-
Less: Expected Credit Loss Allowance	28.1	210,971,649	(382,414,307)
		2,393,539,006	1,045,015,242
Total other assets		3,001,771,680	4,106,834,929

28.1 Expected Credit Loss Allowance

Balance as at 01 January		-	-
Net Charge/ (reversal) for the year		(210,971,649)	382,414,307
Balance as at 31 December		(210,971,649)	382,414,307

Expected Credit Loss Allowances have been made as per CBSL direction by the bank on receivable from General Treasury with respect to the previous Special Interest Scheme on Fixed Deposits for Senior Citizens and Incentive Scheme on Inward Workers Remittances under Stage 2 according to SLFRS 09. Expected Credit Loss Allowance has been reversed based on received amount of interest subsidy from General treasury according to Budget 2026.

29. DUE TO BANKS

Borrowings		19,128,300,064	18,392,787,902
Leasing	29.1	96,000	96,000
Refinance		15,761,177,391	18,019,987,753
Total due to banks		34,889,573,456	36,412,871,655

29.1 Maturity of the leasing

As at 31st December	2025 Rs.	2024 Rs.
Not later than 1 year	96,000	96,000
	96,000	96,000
Less - Interest in suspense	-	-
Total	96,000	96,000

30. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

As at 31 December 2025	2025	2024
	Rs.	Rs.
Due to other customers	283,715,706,931	253,664,001,775
Total financial liabilities at amortized cost - due to other customers	283,715,706,931	253,664,001,775

30.1 Analysis of financial liabilities at amortized cost - due to other customers

30.1.1 By product

As at 31 December 2025	2025	2024
	Rs.	Rs.
Savings deposits	68,761,310,402	57,537,143,671
Long term savings	31,275,354,078	28,193,155,501
Fixed deposits	183,679,042,451	167,933,702,604
Total financial liabilities at amortized cost	283,715,706,931	253,664,001,775

30.1.2 By currency

As at 31 December 2025	2025	2024
	Rs.	Rs.
Sri Lankan rupee	283,715,706,931	253,664,001,775
Total financial liabilities at amortized cost	283,715,706,931	253,664,001,775

30.1.3 By maturity

As at 31 December 2025	2025	2024
	Rs.	Rs.
Due within one year	278,700,264,967	248,309,775,121
Due after one year	5,015,441,964	5,354,226,654
Total financial liabilities at amortized cost	283,715,706,931	253,664,001,775

31. CURRENT TAX LIABILITIES

	Note	2025	2024
		Rs.	Rs.
Balance as at 1st January		531,164,073	(503,589,580)
Current tax based on profit for the year	15	2,787,217,357	1,259,739,071
Under/(Over) provision in respect of previous years	15	669,517,877	239,993,922
Surcharge tax		-	-
Payment of tax		(2,200,649,597)	(464,979,339)
Balance as at 31 December		1,787,249,710	531,164,073

NOTES TO THE FINANCIAL STATEMENTS

32. OTHER LIABILITIES

As at 31 December 2025	Note	2025 Rs.	2024 Rs.
Financial Liabilities			
Sundry creditors		4,988,009,362	247,116,859
Other payables		7,535,505,473	7,681,829,001
Inter bank transaction in transit		(550,352)	(125,645,559)
Operating Lease Liability	26.2	1,062,653,060	1,096,295,487
		13,585,617,543	8,899,595,789
Non Financial Liabilities			
Other payables		2,143,147,285	1,854,106,212
Impairment provision for expected credit losses - credit related commitment and contingencies		58,863,220	34,005,963
		2,202,010,505	1,888,112,176
Total		15,787,628,048	10,787,707,964

33. RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2025	Note	2025 Rs.	2024 Rs.
Retirement Benefit Obligation	33.1	4,057,860,699	4,047,465,661
Total		4,057,860,699	4,047,465,661

33.1 Net Asset /(Liability) recognized in the Statement of Financial Position

	Note	2025 Rs.	2024 Rs.
Opening balance as at 01 January		4,047,465,661	2,829,577,604
Provision made during the year	33.2	644,945,348	522,460,641
Payable for resigned employees		(75,237,686)	(28,631,951)
Net Actuarial (Gain)/Loss on obligation	33.3	(70,199,703)	1,075,753,719
		4,546,973,620	4,399,160,013
Benefits paid by the Bank		(489,112,921)	(351,694,352)
Balance as at 31 December		4,057,860,699	4,047,465,661

33.2 Amount Recognized in Statement of Profit or Loss

As at 31 December 2025		2025 Rs.	2024 Rs.
Current Service cost		179,486,797	160,274,708
Interest Cost		465,458,551	362,185,933
Total amount recognized in Statement of Profit or Loss		644,945,348	522,460,641

33.3 Amount Recognized in Statement of Other Comprehensive Income

As at 31 December 2025	2025 Rs.	2024 Rs.
Net Actuarial (Gain)/Loss on obligation	(70,199,703)	1,075,753,719
Total amount recognized in Other Comprehensive Income	(70,199,703)	1,075,753,719

33.4 An actuarial valuation of the gratuity fund was carried out as at 31st December 2025 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method (PUC)", recommended by Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

Actuarial Assumptions

	2025 Rs.	2024 Rs.
Discount rate as at 31st December	10.50%	11.50%
Future salary increment rate	8% P.A.	8% P.A.
Mortality	A1967/70 Mortality Table issued by the Institute of Actuaries, London	A1967/70 Mortality Table issued by the Institute of Actuaries
Retirement age	60 Years	60 Years
Staff Turnover	2.00%	2.00%
Disability	10.00%	10.00%

33.5 Sensitivity of Assumptions Used in the 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 total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on to total comprehensive income and employment benefit obligation for the year.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2025		2024	
		Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year	Present value of Defined Benefit Obligation Increase/ (Decrease) in the Liability	Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year	Present value of Defined Benefit Obligation Increase/ (Decrease) in the Liability
		Rs.	Rs.	Rs.	Rs.
+1%	-	242,686,572	(242,686,572)	221,218,986	(221,218,986)
-1%	-	(277,967,290)	277,967,290	(250,609,069)	250,609,069
-	+1%	(296,118,504)	296,118,504	(275,115,966)	275,115,966
-	-1%	262,236,356	(262,236,356)	246,340,319	(246,340,319)

NOTES TO THE FINANCIAL STATEMENTS

34. STATED CAPITAL

	2025	2024
	Rs.	Rs.
Ordinary shares		
Balance as at 1st January	8,521,864,568	8,521,864,568
Issue of shares	-	-
Balance as at 31st December	8,521,864,568	8,521,864,568

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the bank.

35. STATUTORY RESERVE FUND

	2025	2024
	Rs.	Rs.
Balance as at 1st January	952,196,231	888,423,757
Transfer during the period	118,613,629	63,772,474
Balance as at 31st December	1,070,809,860	952,196,231

36. OTHER RESERVES

	2025		
	Opening balance as at 01 January 2025	Movement/ transfers	Closing balance as at 31 December 2025
	Rs.	Rs.	Rs.
General reserve Fund	3,997,384,674	474,454,516	4,471,839,190
Special Reserve Fund	806,586,560	118,613,629	925,200,189
Total	4,803,971,233	593,068,145	5,397,039,378

	2024		
	Opening balance as at 01 January 2024	Movement/ transfers	Closing balance as at 31 December 2024
	Rs.	Rs.	Rs.
General reserve Fund	3,742,294,776	255,089,898	3,997,384,674
Special Reserve Fund	742,814,085	63,772,474	806,586,560
Total	4,485,108,861	318,862,372	4,803,971,233

37. RELATED PARTY DISCLOSURES

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures" i.e. significant investors, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

37.1 Key Management Personnel of the Bank

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs includes those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. KMPs include the members of the Board of Directors of the Bank, the Chief Executive Officer, Deputy General Managers, Senior Assistant General Managers, Regional General Managers, Compliance Officer, Chief Internal Auditor and Board Secretary.

37.1.1 Key Management Personnel Compensation

Key management personnel compensation comprised the following;

	2025	2024
	Rs.	Rs.
Short term employment benefits	232,334,402	213,744,121
Post employment benefits	-	-
	232,334,402	213,744,121

37.1.2 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

The aggregate values of transactions and outstanding balances related to key management personnel were as follows;

	2025	2024
	Rs.	Rs.
Items in the Statement of Financial Position		
Assets		
Loans and receivables	73,935,639	107,197,363
	73,935,639	107,197,363
Liabilities		
Deposits	65,129,843	118,398,289
	65,129,843	118,398,289
Items in the Statement of Profit or Loss		
Interest income	3,696,782	13,399,670
Interest expenses	1,165,212	4,528,865
	4,861,994	17,928,536

NOTES TO THE FINANCIAL STATEMENTS

37.1.2.1 Terms and conditions of the accommodation granted to KMPs and their CFMs

Type of the Loan	Other Terms and Conditions	Balance as at 31.12.2025	Security Details 31.12.2025	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or specific categories of employees.	40,203,220	Property	199,050,000
Staff Vehicle Loans		10,492,214	Motor Vehicle	10,900,000
Cash Backed Loans		1,707,163	Fixed Deposit/ Savings Deposits	17,810,786
Consumptions and Other Loans		21,533,042	Personal Guarantee & Gold	58,550,000
		73,935,639		286,310,786

Type of the Loan	Other Terms and Conditions	Balance as at 31.12.2024	Security Details 31.12.2024	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or specific categories of employees.	45,903,299	Property	189,000,000
Staff Vehicle Loans		26,580,612	Motor Vehicle	56,000,000
Cash Backed Loans		18,955,450	Fixed Deposit/ Savings Deposits	36,364,482
Consumptions and Other Loans		15,758,002	Personal Guarantee & Gold	8,071,538.00
		107,197,363		289,436,020

Total exposure to KMPs and their CFMs represents 0.3% of bank's regulatory capital.

37.2 Transactions with the Government of Sri Lanka/ Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

In accordance with Sri Lanka Accounting Standard LKAS 24 on "Related Party Disclosures", the Bank has exempted from the disclosure requirements under paragraph 18 on transactions with Government of Sri Lanka, significant investor and its related entities.

A number of entities in which the Government of Sri Lanka has an interest, have significant interests in the Bank.

The Bank has disclosed individually significant transactions and other transactions collectively, but not individually with significant investor and related entities under LKAS 24. The Bank has entered into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities. The significant financial dealings during the year and as of the date of the Statement of Financial Position are as follows:

	2025	2024
	Rs.	Rs.
Items in the Statement of Financial Position		
Assets		
Loans and receivables	261,414,650	242,406,677
	261,414,650	242,406,677
Liabilities		
Deposits	29,030,645,717	28,909,494,931
	29,030,645,717	28,909,494,931
Items in the Statement of Profit or Loss		
Interest income	-	-
Interest expenses	2,103,581,427	1,750,799,936
	2,103,581,427	1,750,799,936

37.2.1 Further transactions as detail below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

- Investment in Treasury Bills and money market placements
- Payment of statutory rates and taxes
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - (EPF ,ETF)

37.3 Pricing Policy with Related Parties

The Bank enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees.

NOTES TO THE FINANCIAL STATEMENTS

38. ASSETS PLEDGED AS SECURITY

The total financial assets recognized in the statement of financial position that had been pledged as collateral for liabilities as at 31 December 2025 and 2024 is shown in the following table:

2025	Type of Facility	Amount of Facility	Nature of Security	Value of Security	Balance as at
		Rs. Mn		Rs. Mn	31 December 2025
1	Over Draft - BOC	606	FD 74619066	536	1,680
			FD 80912939	1,144	
2	Over Draft - PB	200	FD- 055-60-01-000427323	290	290

2024	Type of Facility	Amount of Facility	Nature of Security	Value of Security	Balance as at
		Rs. Mn		Rs. Mn	31 December 2024
1	Over Draft - BOC	606	FD 74619066	413	-
			FD 80912939	891	
2	Over Draft - PB	200	FD- 055-60-01-00035863-2	290	-

39. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities, and to manage its own exposure to risk. These financial instruments generate interest or fees and carry elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These contingencies and commitments are quantifies below:

As at 31 December	2025	2024
	Rs.	Rs.
Guarantees and performance bonds	501,712,794	440,431,022
Other contingent items	84,049,123	85,039,345
Undrawn Credit Facilities	1,191,793,613	-
Less : Impairment for expected credit losses-Guarantees	(41,438,949)	(34,005,963)
Less : Impairment for expected credit losses-Undrawn Credit Facilities	(17,424,271)	-
Total	1,718,692,311	491,464,404

39.1 Analysis of Commitment and Contingency Exposure to Credit Risk

As at 31 December 2025	Note	Stage 1 Rs.	Total Rs.
Guarantees and performance bonds		501,712,794	501,712,794
Other contingent items		84,049,123	84,049,123
Expected Credit Loss Allowance	39.1.1	(41,438,949)	(41,438,949)
		544,322,968	544,322,968

As at 31 December 2024	Note	Stage 1 Rs.	Total Rs.
Guarantees and performance bonds		440,431,022	440,431,022
Other contingent items		85,039,345	85,039,345
Expected Credit Loss Allowance	39.1.1	(34,005,963)	(34,005,963)
		491,464,404	491,464,404

39.1.1 Expected Credit Loss Allowance

	2025 Rs.	2024 Rs.
Balance as at 1st January	34,005,963	46,090,572
Net Charge for the year	7,432,986	(12,084,608)
Balance as at 31st December	41,438,949	34,005,963

39.2 Assessment Received by the Bank

Following assessments were received by the bank from the Department of Inland Revenue.

Income Tax

Notice of assessment has been issued for the year of assessment, 2014/15 Rs.653 Mn (ITA18280500065 V2) and the bank has provided Rs. 329 Mn assuming that only 10% penalty would be charged after settling the tax liability. discussions are going with the authorities on for the final settlement.

40. LITIGATIONS AGAINST THE BANK

Litigation is a common occurrence in the banking industry due to nature of the business undertaken. The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of possible losses reasonably estimated, the bank makes adjustments to accounts for adverse effects for which the claims may have on its financial standing. As at 31.12.2025, the Bank has 47 legal claims against the Bank and all material claims have been adequately provided for. The Legal Department of the Bank is of the view that currently pending litigations against the Bank will not have a material impact on the reported financial results or the future operations of the bank.

41. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

42. CURRENT VS NON CURRENT ANALYSIS

As at 31 December 2025	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.
Assets			
Cash and cash equivalent	4,869,722,062	-	4,869,722,062
Placements with banks	15,105,877,538	-	15,105,877,538
Equity Instruments at fair value through profit or loss	312,739	-	312,739
Financial assets at amortised cost-Loans and receivables from other customers	105,971,152,996	177,642,609,521	283,613,762,517
Financial assets at amortised cost-Debt & other instruments	44,340,074,825	4,751,907,747	49,091,982,572
Equity Instruments at fair value through other comprehensive income	-	153,434,669	153,434,669
Property, plant and equipment	-	2,759,762,712	2,759,762,712
Intangible assets	-	39,527,242	39,527,242
Right of use assets	-	1,014,620,226	1,014,620,226
Deferred tax assets	-	2,524,971,134	2,524,971,134
Other assets	170,667,666	2,831,104,014	3,001,771,680
Total assets	170,457,807,826	191,717,937,266	362,175,745,091
Liabilities			
Due to banks	3,296,525,071	31,593,048,385	34,889,573,456
Due to other customers	161,356,228,826	122,359,478,106	283,715,706,932
Current tax liabilities	1,787,249,711	-	1,787,249,711
Other liabilities	3,732,121,974	12,055,505,970	15,787,627,945
Retirement benefit obligation	75,237,686	3,982,623,013	4,057,860,699
Total liabilities	170,247,363,268	169,990,655,474	340,238,018,743
Maturity Gap	210,444,558	21,727,281,791	21,937,726,348
Cumulative Gap	210,444,558	21,937,726,349	-

As at 31 December 2024	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.
Assets			
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	-	264,680
Financial assets at amortised cost-Loans and receivables from other customers	78,175,086,620	148,992,756,471	227,167,843,091
Financial assets at amortised cost-Debt & other instruments	62,609,751,641	5,385,443,416	67,995,195,057
Equity Instruments at fair value through other comprehensive income	-	153,434,669	153,434,669
Property, plant and equipment	-	1,255,230,096	1,255,230,096
Intangible assets	-	77,206,661	77,206,661
Right of use assets	-	1,059,813,006	1,059,813,006
Deferred tax assets	-	2,848,048,109	2,848,048,109
Other assets	1,918,879,830	2,187,955,099	4,106,834,929
Total assets	161,871,467,164	161,959,887,528	323,831,354,692
Liabilities			
Due to banks	3,745,186,434	32,667,685,221	36,412,871,655
Due to other customers	177,184,305,460	76,479,696,316	253,664,001,776
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	531,164,074	-	531,164,074
Other liabilities	3,732,121,974	7,055,585,990	10,787,707,965
Retirement benefit obligation	28,631,951	4,018,833,710	4,047,465,661
Total liabilities	185,221,409,893	120,221,801,237	305,443,211,131
Maturity Gap	(23,349,942,729)	41,738,086,291	18,388,143,561
Cumulative Gap	(23,349,942,729)	18,388,143,562	-

NOTES TO THE FINANCIAL STATEMENTS

43. FINANCIAL RISK MANAGEMENT

43.1 Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

43.1.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Board Audit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as the Executive Management Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialized risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Integrated Risk Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

43.1.2 Asset and Liability Committee (ALCO)

ALCO is chaired by the General Manager and has representatives from Finance Department, Credit Department, Operation Department and Risk Department. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and also overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

43.1.3 Risk Measurement & Reporting

The Bank's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to Integrated Risk Management Committee on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

43.1.4 Risk Mitigation

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

43.2 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets (FVTPL) is managed independently and information thereon is disclosed below. The market risk in respect of changes in fair value in trading assets (FVTPL) arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee (Discontinued with effect from June 2021). Bank Credit Administration Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee (Discontinued with effect from June 2021) or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Head of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Head of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit.

Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment/ expected credit losses held by the Bank against those assets.

Credit Quality Analysis

The Bank's Delinquency status

Delinquency status	Description
Stage 1	
Regular	Performing
1 - 30 days	Performing
Stage 2	
31-60 days	Under Performing
61-90 days	Under Performing
Stage 3	
Above 90 days	Non- performing

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial investments at amortized cost-Debt & other instruments								
Quoted debentures	1,153,354,815	-	-	1,153,354,815	1,661,984,952	-	-	1,661,984,952
Government debt securities-treasury bills & bonds	12,874,809,380	-	-	12,874,809,380	22,062,338,310	-	-	22,062,338,310
Investment in fixed deposits	35,071,034,738	-	-	35,071,034,738	42,770,532,521	-	-	42,770,532,521
Total debt and other instruments	49,099,198,933	-	-	49,099,198,933	66,494,855,783	-	-	66,494,855,783
Expected credit loss allowance	(7,216,361)	-	-	(7,216,361)	(1,386,491)	-	-	(1,386,491)
Net debt and other instruments	49,091,982,572	-	-	49,091,982,572	66,493,469,292	-	-	66,493,469,292
Placements with banks								
Money market placements	15,105,877,538	-	-	15,105,877,538	18,339,705,502	-	-	18,339,705,502
Total placements with banks	15,105,877,538	-	-	15,105,877,538	18,339,705,502	-	-	18,339,705,502
Expected credit loss allowance	-	-	-	-	-	-	-	-
Net placements with banks	15,105,877,538	-	-	15,105,877,538	18,339,705,502	-	-	18,339,705,502
Commitments and Contingencies*								
Bank Guarantee	501,712,794	-	-	501,712,794	440,431,022	-	-	440,431,022
Bills Sent for Collection	84,049,123	-	-	84,049,123	85,039,345	-	-	85,039,345
Total commitments and contingencies	585,761,918	-	-	585,761,918	525,470,367	-	-	525,470,367
Expected credit loss allowance	(41,438,949)	-	-	(41,438,949)	(34,005,963)	-	-	(34,005,963)
Net commitments and contingencies	544,322,968	-	-	544,322,968	491,464,404	-	-	491,464,404

* To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

43.2.1 Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 5.1.2.5.

Significant increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30 days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

Incorporation of Forward-Looking Information

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

An overview of the approach to estimating ECLs is set out in Note 5.1.2.5 Summary of significant accounting policies and in Note 3.(i).(b) Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (CBSL) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2025.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

As at 31 December	Weightages	ECL Scenario	2025 %	2026 %	2027 %	2028 %	Subsequent Years
Key drivers							
GDP growth %							
	25.0%	Base Case	5.40%	5.40%	5.40%	5.40%	5.40%
	15.0%	Best Case	5.40%	6.08%	6.56%	7.66%	8.06%
	60.0%	Worse Case	5.40%	5.96%	5.87%	5.31%	4.81%
Inflation Rates %							
	25.0%	Base Case	2.10%	2.10%	2.10%	2.10%	2.10%
	15.0%	Best Case	2.10%	0.75%	0.64%	0.54%	0.46%
	60.0%	Worse Case	2.10%	1.69%	2.17%	2.77%	3.53%
Interest Rate %							
	25.0%	Base Case	8.94%	8.94%	8.94%	8.94%	8.94%
	15.0%	Best Case	8.94%	8.25%	8.03%	7.82%	7.61%
	60.0%	Worse Case	8.94%	9.44%	9.83%	10.23%	10.66%
Exchange rates (USD \$ to LKR)							
	25.0%	Base Case	309.99	343.83	375.00	375.00	375.00
	15.0%	Best Case	309.99	275.09	244.12	216.63	192.24
	60.0%	Worse Case	309.99	375.00	375.00	375.00	375.00
Unemployment rates %							
	25.0%	Base Case	4.70%	4.70%	4.70%	4.70%	4.70%
	15.0%	Best Case	4.70%	4.67%	4.66%	4.65%	4.64%
	60.0%	Worse Case	4.70%	4.72%	4.74%	4.75%	4.77%

NOTES TO THE FINANCIAL STATEMENTS

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, primary-dealers, exchanges and clearing-houses. For these relationships, the Bank's Treasury Unit analyses publicly available information such as financial information.

Sector classification of loans

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank of Sri Lanka.

Of the total sector classification, this report categorized them in top major sectors, in accordance to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2025 is the Pawning advances followed by Housing, Commercial, Agriculture, Refinance, Industrial, Loans against deposits, Other Loans, Staff loans, Leasing, Liya Isura Loans.

Sector wise portfolios	Rs.
Pawning	85,026,671,887
Term Loan - Housing	77,418,337,676
Term Loan - Commercial	35,044,788,328
Term Loan - Agriculture	26,307,944,565
Refinance	24,616,481,910
Term Loan - Industrial	17,392,140,209
Loan Against Deposit	16,624,695,205
Term Loan - Other	9,195,684,193
Staff	7,554,311,898
Leasing	3,216,311,065
Liya Isura	24,867,562

Corporate loans (Services, Manufacturing and Industry loans)

For corporate loans, the borrowers are assessed by specialized credit employees of the Bank. The credit risk assessment is based on the behaviour of the customer and credit quality based on the past due status. Further, the bank considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information Bureau. This includes external rating grades issued by rating agencies, independent analyst reports, press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending and retail loans

Consumer lending comprises Housing Loans, Consumer loans and Personal Loan. These products along with retail mortgages and some of the less complex small business lending are rated by (Corporate and retail credit scoring models) primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, economic condition, changes in personal income/salary levels based on records of repayment capacity, repayment sources, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on an individual basis includes all customers above the individually significant threshold of LKR 10 mn of the total exposure.

Asset classes where the Bank calculates ECL on a collective basis include:

- Customers below the Individually Significant threshold of LKR 10mn.

The Bank groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Interest Rate

43.2.2 Collateral held and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, inventories and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Definition of Past Due

Banks consider that any amounts uncollected thirty one days or more beyond their contractual due date are 'past due'.

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2025	2024
	Rs.	Rs.
Collateral Type		
Land & Buildings	33,054,231,849	29,819,388,903
Machinery	996,623,693	208,685,103
Motor Vehicles	1,032,897,911	836,892,388
Gold	85,026,671,887	59,401,417,383
Fixed Deposits	1,760,589,192	14,970,811,599
Personal Guarantees	118,709,309,896	125,009,928,617
Bank Guarantees	45,899	288,780
Others	61,959,450,799	14,540,980,913
	302,539,821,126	244,788,393,686

As at 31 December	2025		2024	
	Maximum Exposure to Credit Risk	Exposure Net of Collateral	Maximum Exposure to Credit Risk	Exposure Net of Collateral
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalent	4,869,722,061	4,869,722,061	827,778,892	827,778,892
Placements with Banks	15,105,877,538	15,105,877,538	18,339,705,502	18,339,705,502
Equity Instruments at fair value through profit or loss	312,739	312,739	264,680	264,680
Financial assets at amortised cost-Loans and receivables from other customers	302,539,821,126	183,830,511,230	244,788,393,686	169,117,480,416
Financial investments at amortised cost-Debt & other instruments	49,091,982,571	49,091,982,571	67,995,195,057	67,995,195,057
Equity Instruments at fair value through profit or loss	153,434,669	153,434,669	153,434,669	153,434,669
Other assets	608,232,674	608,232,674	3,061,819,687	3,061,819,687

As at 31 December	Forced Sale Value of Foreclosed Collateral	
	2025	2024
	Rs.	Rs.
Foreclosed Properties		
Balance as at 01 January	180,680,145	180,680,145
Additions during the year	-	-
Disposals during the year	(5,559,000)	-
Valuation changes	83,256,430	-
Balance as at 31 December	258,377,575	180,680,145

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.

Loan-to-value ratio (LTV)

Residential Mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes adjustment for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

As at 31 December	2025 Rs.	2024 Rs.
LTV ratio		
Less than 50%	33,048,733,223	24,376,906,363
51-70%	-	3,287,982,755
71-90%	-	771,538,642
91-100%	-	836,735,781
More than 100%	-	546,225,361
Total	33,048,733,223	29,819,388,903

43.2.3 Concentration of Credit risk

The Bank monitors concentrations of credit risk by industry and by geographic location.

Concentrations of credit risk

An analysis of concentrations of credit risk for loans and advances, lending commitments, financial guarantees and investment securities is shown below.

	Loans and Advances to Customers		Investment debt securities		Lending commitments and financial guarantees	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Carrying amount	302,539,821,126	244,788,393,686	49,099,198,933	67,996,581,549	585,761,918	525,470,367
Amounts committed/ guaranteed						
Concentration by sector						
Corporate:						
Other	-	-	-	-	585,761,918	525,470,367
Government	-	-	12,874,809,380	22,062,338,310	-	-
Banks	-	-	36,224,389,553	45,934,243,239	-	-
Retail:						
Personal Guarantee	118,709,309,896	125,009,928,617	-	-	-	-
Mortgages	121,871,060,431	105,237,484,156	-	-	-	-
Unsecured lending	61,959,450,799	14,540,980,913	-	-	-	-
	302,539,821,126	244,788,393,686	49,099,198,933	67,996,581,549	585,761,918	525,470,367

NOTES TO THE FINANCIAL STATEMENTS

43.3 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of Liquidity Risk

The Bank sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquid ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Bank's liquidity position.

The most important of these is to maintain the minimum 100% of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.

43.3.1 Exposure to Liquidity Risk

With the discontinuation of regulatory requirements relating to Statutory Liquid Assets Ratio as per the Banking Act Determination No 01 of 2024, with effect from 13th June 2024 in terms of Sections 21(1) and 76H of the Banking Act, No. 30 of 1988, as amended, the Central Bank of Sri Lanka has determined that every licensed commercial bank and licensed specialized bank shall maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as the statutory liquidity ratios at all times, in accordance with "Basel III: International Framework for Liquidity Risk Measurement by the Basel Committee on Banking Supervision. Details of the reported bank ratios of LCR & NSFR at the reporting dates during the year were as follows.

	2025			2024		
	Rupee Liquidity	All Currency Liquidity Requirement	NSFR	Rupee Liquidity	All Currency Liquidity Requirement	NSFR
	LCR			LCR		
1st Quarter	330%	330%	154%	633%	633%	156%
2nd Quarter	320%	320%	131%	590%	590%	175%
3rd Quarter	344%	344%	133%	716%	716%	164%
4th Quarter	207%	207%	130%	402%	402%	152%

43.3.2 Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial liabilities as at 31 December 2025. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

As at 31 December 2025	Carrying Value	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non - Derivative Liabilities							
Due to banks	34,889,573,456	34,889,573,456	786,118,437	2,510,406,634	6,883,683,120	7,037,916,178	17,671,449,086
Due to other customers	283,715,706,932	283,715,706,932	77,739,158,663	83,617,070,163	27,447,653,502	25,405,128,809	69,506,695,796
Other liabilities	15,787,627,945	15,787,627,945	2,843,329,992	5,887,474,747	2,596,412,616	3,031,687,082	1,428,723,508
Total Non - Derivative Liabilities	334,392,908,333	334,392,908,333	81,368,607,091	92,014,951,545	36,927,749,238	35,474,732,069	88,606,868,390
As at 31 December 2024	Carrying Value	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non - Derivative Liabilities							
Due to banks	36,412,871,655	36,412,871,655	899,752,360	2,845,434,074	7,764,585,571	7,901,787,922	17,001,311,727
Due to other customers	253,664,001,776	253,664,001,776	81,036,303,555	96,148,001,904	18,506,718,984	18,863,568,590	39,109,408,742
Debt issued and other borrowed funds	-	-	-	-	-	-	-
Other liabilities	10,787,707,965	10,787,707,965	1,941,747,618	4,020,634,293	1,773,124,481	2,070,379,164	981,822,409
Total Non - Derivative Liabilities	300,864,581,396	300,864,581,396	83,877,803,534	103,014,070,271	28,044,429,036	28,835,735,677	57,092,542,879

NOTES TO THE FINANCIAL STATEMENTS

43.3.3 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2025	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Contingent Liabilities						
Bank guarantee (without impairment)		1,940,596	463,154,383	36,517,601	-	501,612,580
Other Contingent items-Bills sent for collection	84,049,123	-	-	-	-	84,049,123
Total Contingent Liabilities	84,049,123	1,940,596	463,154,383	36,517,601	-	585,661,703
<hr/>						
As at 31 December 2024	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Contingent Liabilities						
Bank guarantee (without impairment)		1,703,902	406,663,561	32,063,559	-	440,431,022
Other Contingent items-Bills sent for collection	85,039,345	-	-	-	-	85,039,345
Total Contingent Liabilities	85,039,345	1,703,902	406,663,561	32,063,559	-	525,470,367

43.3.4 Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2025	
	Carrying Amount	Fair Value
Cash and Cash equivalents	4,869,722,062	4,869,722,062
Placements with banks	2,845,877,538	2,845,877,538
Repo	12,260,000,000	12,260,000,000
Fixed Deposits	35,071,034,738	35,071,034,738
	55,046,634,338	55,046,634,338

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

43.3.5 Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Liquidity Coverage Ratio (LCR) as defined by the regulator is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

Minimum Requirement - 100%

The following were the Liquidity Coverage Ratios (%) and Net Stable Funding Ratio (%) of the Bank as at 31 December:	2025	2024
Liquidity Coverage Ratio (%) - Rupee	207	402
Net Stable Funding Ratio (%)	130	151

43.3.6 Due to Banks & Due to Other Customers (Deposits) to Loans and Receivables from Banks & Other Customers (Advances) Ratio

The Bank is aware of the importance of due to banks & other customers as a source of funds for its lending operations.

This is monitored using the following ratio, which compares loans and receivables to customers as a percentage of due to banks & Due to other customers (Deposits).

Due to banks & due to other customers to Loans and receivables from banks & other customers Ratio.

As at 31st December 2025	99.96%
As at 31st December 2024	89.09%

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31.12.2025 and 31.12.2024.

	2025				2024			
	Encumbered		Unencumbered		Encumbered		Unencumbered	
	Pledged as collateral	Other	Other	Total	Pledged as collateral	Other	Other	Total
Cash and cash equivalent	-	-	4,869,722,062	4,869,722,062	-	-	827,778,892	827,778,892
Placements with banks	-	-	15,105,877,538	15,105,877,538	-	-	18,339,705,502	18,339,705,502
Equity Instruments at fair value through profit or loss	-	-	312,739	312,739	-	-	264,680	264,680
Financial assets at amortised cost-Loans and receivables from other customers	-	-	283,613,762,517	283,613,762,517	-	-	227,167,843,091	227,167,843,091
Financial assets at amortised cost-Debt & other instruments	2,072,086,197	-	47,019,896,375	49,091,982,572	1,985,570,901	-	66,009,624,156	67,995,195,057
Equity Instruments at fair value through other comprehensive income	-	-	153,434,669	153,434,669	-	-	153,434,669	153,434,669
Other assets	-	-	3,001,771,680	3,001,771,680	-	-	4,106,834,929	4,106,834,929
Total	2,072,086,197	-	353,764,777,580	355,836,863,777	1,985,570,901	-	316,605,485,919	318,591,056,820

NOTES TO THE FINANCIAL STATEMENTS

43.4 Market Risk

Market risk' is the risk that changes in market prices - such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to the changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31st December 2025	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	4,869,722,062	-	4,869,722,062
Placements with banks	15,105,877,538	-	15,105,877,538
Equity Instruments at fair value through profit or loss	312,739	312,739	-
Financial investments at amortised cost-Debt & other instruments	49,091,982,572	-	49,091,982,572
Financial assets at amortised cost-Loans and receivables from other customers	283,613,762,517	-	283,613,762,517
Equity Instruments at fair value through other comprehensive income	153,434,669	-	153,434,669
Other assets	608,232,674	-	608,232,674
Liabilities subject to Market risk			
Due to banks	34,889,573,456	-	34,889,573,456
Due to other customers	283,715,706,932	-	283,715,706,932
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	1,787,249,711	-	1,787,249,711
Other liabilities	13,585,617,543	-	13,585,617,543

As at 31st December 2024	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	264,680	-
Financial investments at amortised cost-Debt & other instruments	67,995,195,057	-	67,995,195,057
Financial assets at amortised cost-Loans and receivables from other customers	227,167,843,091	-	227,167,843,091
Equity Instruments at fair value through other comprehensive income	153,434,669	-	153,434,669
Other assets	3,061,819,687	-	3,061,819,687
Liabilities subject to Market risk			
Due to banks	36,412,871,655	-	36,412,871,655
Due to other customers	253,664,001,776	-	253,664,001,776
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	531,164,074	-	531,164,074
Other liabilities	8,899,595,789	-	8,899,595,789

Management of Market Risk

Market risk management reporting creates transparency on the risk profile and facilitates the understanding of core market risk drivers to all levels of the Bank. The Management and Board Committees receive regular reporting, as well as ad hoc reporting as required, on market risk, the impact on capital and earnings through stress testing. The Operation Risk Management Committee (ORMC) and Asset and Liability Committee (ALCO) receive risk information at a number of frequencies, including monthly and quarterly.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Bank's Treasury Department, and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

The Bank employs a range of tools to monitor and limit market risk exposures.

Non - Trading Market Risk

Non trading market risk arises primarily from outside the activities of our trading units, in our banking book and from certain off-balance sheet items. Significant market risk factors the Bank is exposed to and are overseen by risk management committees are:

- Interest rate risk (including risk from embedded optionality and changes in behavioural patterns for certain product types)
- Market risks from off-balance sheet items such as foreign exchange risk of the hedging instruments such as SWAPs.

43.4.1 Interest Rate Risk

Interest rate risk is the potential impact on the Bank's earnings and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), both on and off balance sheet, have mismatched re-pricing dates. The amount of risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The Bank's lending, funding, and investment activities give rise to interest rate risk.

Interest rate risk management is conducted within the context of a comprehensive business strategy. The bank has developed and implemented effective and comprehensive procedures to manage and control interest rate risk in accordance with the strategies in managing interest rate risk. These procedures are in accordance to the size and complexity of the Bank's interest rate risk-taking activities.

The Bank manages interest rate risk through the re-pricing maturity mis-match gaps by using Funds Transfer Pricing (FTP) techniques to take advantage in optimal gains. Through the FTP; portfolios are hedged; through this approach the Bank ensures that interest rate risk between lending and funding in each time bucket remains low. The majority of the Bank's interest rate risk, therefore, stems from the unhedged portion of assets and liabilities.

Typically interest rate risk is split into two components: traded interest rate risk and non-traded interest rate risk. While the traded interest rate risk is relevant to trading activities and its affects, the latter is often referred to as interest rate risk on the balance sheet or to the banking book and arises from the Bank's core banking activities.

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book is the risk to both the Bank's capital and earnings, arising from movements in interest rates, which affect the banking book exposures. This includes maturity mis-matches of the interest bearing assets and liabilities which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves.

Interest rate risk is also the risk that the Bank will experience in deterioration in its financial positions as interest rates move over time.

The interest rate position of the Bank is that the duration of the liabilities to some extent is lesser than the duration of the assets in the shorter tenors of the reprising profile. Given this mismatch, under normal circumstances increasing interest rates will have a negative impact on the interest income of the Bank. On the other hand, as liabilities re-price more quickly than assets, the average interest rates paid on liabilities would adapt more quickly to lower market interest rates. This would then support the Bank's net interest income.

NOTES TO THE FINANCIAL STATEMENTS

During the current year as well as the preceding year banking industry faced unprecedented challenges as a result of fiscal and monetary stimulus. Due to the spread of the pandemic it was increasingly becoming evident that the domestic economic activities during the year 2023, was affected due to uncertainty and the various policies and regulations which were put into place from time to time to mitigate the adverseness of the economic conditions.

In this sense the Bank manages the Interest Rate Risk in the Banking Book (IRRBB) exposures using both Earnings at Risk (EAR) and Economic Value of Equity (EVE) measures. The Treasury division is delegated to manage the interest rate risk centrally on an ongoing basis, where Risk Management Unit acts as the second line of defence on an independent oversight function.

Economic value based measures look at the change in economic value of banking book of assets, liabilities and off-balance sheet exposures resulting from interest rate movements, independent of the accounting treatment. Thereby the Bank measures the change in Economic Value of Equity (EVE) of the banking book under standard scenarios for the ICAPP process as defined by Basel Committee on Banking Supervision.

Earnings-based measures look at the expected change in Net Interest Income (NII), compared to some defined benchmark scenarios, over a defined time horizon resulting from interest rate movements. Thereby the Bank measures the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift to various interest rate scenarios.

43.4.2 Maturity Gaps

The Management and Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Risk Committee. At least annually the Board Risk Management Committee reviews and approves the limits which are applied to the Bank to measure and control liquidity risk as well as our long-term funding plan.

While such risk monitoring is mainly based on the stock approach through ratios and risk levels approved as per the risk appetite of the Bank, another method of managing and monitoring liquidity risk is using the flow approach tools which is the popular maturity mis-match or Maturity Gap analysis.

A summary of the Bank's total assets and liabilities as at 31 December 2025, based on the remaining period at the reporting date to the respective Cash flow/ Maturity dates together with the maturity gaps are given below.

As at 31 December 2025	Carrying amount	Up to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Earning Assets					
Cash and balances with central bank	4,869,722,062	4,869,722,062	-	-	-
Placements with banks	15,105,877,538	15,105,877,538	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	302,539,821,126	54,046,966,697	90,430,929,576	102,301,591,188	55,760,333,665
Financial investments at amortised cost-Debt & other instruments	49,099,198,933	15,698,496,590	25,291,193,206	2,204,246,575	5,905,262,561
Financial assets-fair value through other comprehensive income	153,434,669	-	-	-	153,434,669
Total Assets	371,768,054,327	89,721,062,887	115,722,122,782	104,505,837,764	61,819,030,895
Interest Bearing Liabilities					
Due to banks	34,889,573,456	786,118,437	2,510,406,634	13,921,599,299	17,671,449,086
Due to other customers	283,715,706,932	77,739,158,663	83,617,070,163	52,852,782,310	69,506,695,796
Total Liabilities	318,605,280,388	78,525,277,099	86,127,476,798	66,774,381,609	87,178,144,882
Gaps	53,162,773,939	11,195,785,788	29,594,645,984	37,731,456,155	(25,359,113,987)

As at 31 December 2024	Carrying amount	Up to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Earning Assets					
Cash and balances with central bank	827,778,892	827,778,892	-	-	-
Placements with banks	18,339,705,502	18,339,705,502	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	244,788,393,686	36,392,835,664	71,700,581,876	111,810,585,889	24,884,390,257
Financial investments at amortised cost-Debt & other instruments	67,996,581,549	34,254,111,705	27,859,597,798	4,750,600,724	1,132,271,322
Financial assets-fair value through other comprehensive income	153,434,669	-	-	-	153,434,669
Total Assets	332,105,894,297	89,814,431,762	99,560,179,674	116,561,186,613	26,170,096,248
Interest Bearing Liabilities					
Due to banks	36,412,871,655	899,752,360	2,845,434,074	15,666,373,493	17,001,311,727
Due to other customers	253,664,001,776	81,036,303,555	96,148,001,904	37,370,287,574	39,109,408,742
Total Liabilities	290,076,873,431	81,936,055,915	98,993,435,979	53,036,661,066	56,110,720,470
Gaps	42,029,020,866	7,878,375,847	566,743,695	63,524,525,547	(29,940,624,222)

Interest Rate Benchmark Reforms

Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global as well as local financial markets. A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives globally.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank through ALCO intends to manage its transition to alternative rates from the use of IBOR's. The contracts which have fallen due since end 2021 is re-priced at alternate rates mostly based on fixed pricing, the five US dollar LIBOR settings which will continue to be calculated using panel bank submissions until mid-2023, is used if required to re-price longer tenor advances which have frequent re-pricing dates. However, using these LIBOR's for new business is restricted from end-2021.

Going forward, RMU as a risk management functionality, will evaluate the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR. These findings will be reported to ALCO and Treasury to support the management of interest rate risk and works closely to identify operational and regulatory risks arising from these IBOR reforms and how to manage communication about IBOR reform with counterparties. These findings will be reported to BIRMC quarterly and will collaborate with other business functions as needed.

NOTES TO THE FINANCIAL STATEMENTS

43.4.3 Exposure to Other Market Risks

Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. Bank is exposed to foreign currency risk resulting from foreign currency assets and liabilities taken over from former Lanka Puthra Development Bank and loan from Asian Development Bank. Necessary precautions are in place in order to avoid/mitigate possible foreign currency risk in the near future.

During the year, the banking sector experienced uncertainty in market situations due to the lack of foreign currency liquidity especially the US dollars. This mostly led to the banking industry being unable to meet the expected levels in liability conversion transactions especially trade related transactions. The market also experienced a drop in asset conversion transaction such as the inward remittance and export bills. This situation led to depreciation of USD/ LKR rates which was mostly a controlled exchange rate which traded around 200 to 363 levels.

The Bank ensures all market risk measures are adhered as laid down in the latest directions published by the Central Bank as well as according to best market practices followed locally and globally.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in.

As at 31 December	In Original Foreign Currency		Functional Currency of the Bank	
	2025	2024	2025	2024
	USD	USD	Rs.	Rs.
Net Foreign Currency Exposure				
Financial assets denominated in foreign currency	62,858,772	61,977,219	19,475,590,024	18,140,732,013
Financial liabilities denominated in foreign currency	60,329,473	61,343,117	18,691,934,796	17,955,130,355

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is shown in the table below.

As at 31 December	2025		2024	
	USD	Rs.	USD	Rs.
Net Open Position (NOP)	2,529,300	783,655,228	634,102	185,601,658

At Shocks Level of	Revised Rupee position	Effect on income statement	Revised Rupee position	Effect on income statement
5%	822,837,990	39,182,761	194,881,741	9,280,083
10%	862,020,751	78,365,523	204,161,824	18,560,166
15%	901,203,512	117,548,284	213,441,907	27,840,249

43.5 Operational Risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to its Bank Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

44. CAPITAL MANAGEMENT

44.1 Regulatory Capital

The Bank's lead regulator the Central Bank of Sri Lanka sets and monitors capital requirements for the Bank as a whole. The individual banking operations are directly supervised by the lead regulators. The Bank capital management goals are as follows:

- a. Ensure regulatory minimum capital adequacy of 12.5% requirements are not compromised.
- b. Bank to maintain its international and local credit rating and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank.
- c. Ensure above industry average Capital Adequacy Ratio for the banking sector is maintained.
- d. Ensure maintaining of quality capital.
- e. Ensure capital impact of business decisions are properly assessed and taken into consideration during product planning and approval process.
- f. Ensure capital consumption by business actions are adequately priced.
- g. Ensure Bank's average long-term dividend pay-out ratio is maintained.

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on solo basis. The Bank is required to comply with the provisions of the Basel II and Basel III in respect of regulatory capital.

Capital Management

Capital Adequacy is a measure of a bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II till 30 June 2017 and thereafter Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation from 1 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

44.2 Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

44.3 Available Capital

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

- Every licensed specialised bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.
- Licensed specialised banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks
Common Equity Tier 1 including Capital Conservation Buffer	7.00%
Total Tier 1 including Capital Conservation Buffer	8.50%
Total Capital Ratio including Capital Conservation Buffer	12.50%

The Bank Capital Adequacy (Basel III) details as at 31 December 2025 are given below.

As at December	Basel III	
	2025 Rs.	2024 Rs.
Assets		
Total Risk Weighted Amount (including Off- Balance Sheet Items)	176,467,382,365	151,067,401,919
Risk Weighted amount of Off-Balance Sheet Exposure	1,097,609,601	491,464,404
Capital		
Common Equity Tier 1 Capital	17,168,704,878	14,366,909,492
Total Tier 1 Capital	17,168,704,878	14,366,909,492
Total Capital	25,432,615,336	23,441,487,620
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Ratio (%)	9.79%	9.65%
Tier 1 Capital Ratio (%)	9.79%	9.65%
Total Capital Ratio (%)	14.50%	15.65%

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1 Determining Fair Values

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable for market data.

Level 3 – Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

45.2 Valuation Models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

45.3 Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes an oversight by the Market Risk function, which is independent of front office management. Market Risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models involving both product control and group market risk;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/ LKASs. This includes:

- Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of Financial Instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

45.4 Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 December	2025			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Equity Instruments at fair value through profit or loss	312,739	-	-	312,739
Financial assets-fair value through other comprehensive income	-	-	153,434,669	153,434,669
	312,739	-	153,434,669	153,747,408
As at 31 December	2024			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Equity Instruments at fair value through profit or loss	264,680	-	-	264,680
Financial assets-fair value through other comprehensive income	-	-	153,434,669	153,434,669
	264,680	-	153,434,669	153,699,349

45.5 Trading assets and other assets measured at fair value

Financial assets measured at fair value are quoted equities and unquoted equities. For quoted equities, the Bank uses quoted market price in active markets as at the reporting date. Unquoted equities are measured at cost because the fair value cannot be measured reliably.

45.6 Financial Instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Fair value hierarchy	2025		2024	
		Carrying amount	Fair value	Carrying amount	Fair value
		Rs.	Rs.	Rs.	Rs.
Financial assets					
Cash and cash equivalent	Level 2	4,869,722,062	4,869,722,062	827,778,892	827,778,892
Placements with Banks	Level 2	15,105,877,538	15,105,877,538	18,339,705,502	18,339,705,502
Financial assets at amortised cost - Debt & other instruments	Level 2	49,091,982,572	49,005,251,391	67,995,195,057	67,931,272,504
Financial assets at amortised cost - Loans and receivables from other customers					
Pawning	Level 2	85,026,671,887	85,026,671,887	59,382,717,060	59,382,717,060
Staff loans	Level 2	7,554,311,898	7,554,311,898	6,539,021,827	6,539,021,827
Short-term	Level 2	20,944,481,108	20,944,481,108	18,792,369,559	18,792,369,559
Long-term	Level 2	185,798,045,167	185,798,045,167	158,321,367,252	158,321,367,252
Other assets	Level 2	608,232,674	608,232,674	3,061,819,687	3,061,819,687
		368,999,324,906	368,912,593,725	333,259,974,837	333,196,052,283
Financial liabilities					
Due to banks	Level 2	34,889,573,456	34,889,573,456	36,412,871,655	36,412,871,655
Due to other customers	Level 2	283,715,706,932	283,715,706,932	253,664,001,776	253,664,001,776
Other liabilities	Level 2	13,585,617,543	13,585,617,543	8,899,595,789	8,899,595,789
		332,190,897,931	332,190,897,931	298,976,469,220	298,976,469,220

Basis of measurement for the fair value of financial assets and liabilities not carried at fair value

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than one year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to savings accounts without a specific maturity.

Loans and Receivables to customers

More than 36% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year. Therefore fair value of short term loans and advances to customers approximates to their carrying value as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

Due to Customers

Around 68% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

The fair value of financial investment held to maturity is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments.

46. SELECTED PERFORMANCE INDICATORS / KEY FINANCIAL DATA

Item	As at 31st December 2025	As at 31st December 2024
Regulatory Capital Adequacy (LKR in Thousands)		
Common Equity Tier 1	17,168,705	14,580,728
Tier 1 Capital	17,168,705	14,580,728
Total Regulatory Capital	25,432,615	23,655,307
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) (Minimum Requirement - 7%)	9.79%	9.65%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.5%)	9.79%	9.65%
Total Capital Ratio (%) (Minimum Requirement - 12.5%)	14.50%	15.65%
BASEL III Leverage Ratio (Minimum Requirement - 3%)	4.39%	4.22%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement - 100%)		
Rupee (%)	207.00%	402.00%
All Currency (%)	207.00%	402.00%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	130.00%	152.00%
Assets Quality		
Impaired Loans (Stage 3) to Total Loans Ratio(%)	4.06%	6.25%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	47.87%	41.88%
Income and Profitability		
Net Interest Margin (%)	7.06%	6.27%
Return on Assets (before Tax) (%)	1.70%	1.03%
Return on Equity (%)	11.77%	7.04%
Cost to Income Ratio(%)	62.49%	73.98%
Memorandum Information		
Credit Rating-LRA	BBB+Stable Out Look	BBB+Stable Out Look
Number of Employees	2,507	2,615
Number of Branches	272	272

**SUPPLEMENTARY
INFORMATION**

TEN YEARS SUMMARY

Description	2025 LKR	2024 LKR	2023 LKR
Profit & Loss			
Total Income	42,813,920,557	39,552,222,682	47,586,934,542
Interest Income	40,438,816,011	37,922,124,939	46,232,790,959
Interest Expenses	(16,213,169,721)	(18,367,644,729)	(29,289,826,032)
Net Interest Income	24,225,646,290	19,554,480,210	16,942,964,926
Net Other Income	1,556,233,321	1,032,298,824	944,736,912
Total operating income	25,781,879,613	20,586,779,034	17,887,701,838
Impairment (charges)/reversal	(353,562,570)	832,607,642	(2,162,850,997)
Net operating income	25,428,317,043	21,419,386,676	15,724,850,842
Personal expenses	(12,405,918,682)	(11,944,838,711)	(9,550,728,566)
Depreciation and amortization expenses	(650,198,692)	(610,550,869)	(592,566,813)
Levy paid to general treasury	-	-	-
Other expenses	(3,055,224,492)	(2,675,420,680)	(2,073,288,768)
Operating Profit	9,316,975,177	6,188,576,416	3,508,266,695
VAT on Financial Services	(3,061,814,265)	(2,617,138,233)	(2,066,232,496)
Social Security Contribution Levy	(425,375,444)	(361,560,652)	(258,613,077)
NBT	-	-	-
Profit Before Taxation	5,829,785,467	3,209,877,531	1,183,421,122
Income tax (expense) /reversal	(3,457,512,886)	(1,934,428,043)	(319,903,305)
Profit After Taxation	2,372,272,581	1,275,449,488	863,517,816
Assets			
Cash and cash equivalent	4,869,722,062	827,778,892	104,444,214
Srilanka government securities			
Balances with Banks			
Placements with banks	15,105,877,538	18,339,705,502	6,005,330,402
Financial Assets - Held for trading	-	-	-
Equity Instruments at fair value through profit or loss	312,739	264,680	145,820
Loan and receivables from other customers	-	-	-
Financial Investments to held to maturity	-	-	-
Financial assets at amortized cost-Loans and receivables from other customers	283,613,762,517	227,167,843,091	194,424,888,169
Financial investments at amortized cost-Debt & other instruments	49,091,982,572	67,995,195,057	86,964,714,682
Equity Instruments at fair value through other comprehensive income	153,434,669	153,434,669	2,290,929
Property, plant and equipment	2,759,762,712	1,255,230,096	1,161,828,361
Intangible assets	39,527,242	77,206,661	112,402,355
Right of use assets	1,014,620,226	1,059,813,006	860,244,061
Deferred tax assets	2,524,971,134	2,848,048,109	2,960,017,044
Current tax assets		-	503,589,580
Other assets	3,001,771,680	4,106,834,929	6,617,542,021
Total Assets	362,175,745,091	323,831,354,692	299,717,437,639

2022 LKR	2021 LKR	2020 LKR	2019 LKR	2018 LKR	2017 LKR	2016 LKR
36,202,749,629	24,492,768,957	24,354,246,869	27,507,821,054	26,070,610,605	22,016,079,277	15,744,336,598
35,273,433,857	23,545,299,165	23,182,459,141	26,357,071,298	24,865,108,981	20,909,579,906	14,813,083,474
(19,639,529,550)	(9,893,373,234)	(12,294,380,832)	(13,903,881,276)	(12,959,526,709)	(11,233,284,493)	(7,197,198,715)
15,633,904,307	13,651,925,931	10,888,078,309	12,453,190,022	11,905,582,272	9,676,295,413	7,615,884,759
574,130,849	635,357,741	899,852,505	872,445,458	946,396,458	925,405,231	806,608,160
16,208,035,156	14,287,283,672	11,787,930,814	13,325,635,480	12,851,978,730	10,601,700,644	8,422,492,919
(2,852,677,176)	(3,256,775,862)	(2,010,929,062)	(2,408,748,853)	(1,409,784,095)	(443,866,831)	29,110,255
13,355,357,980	11,030,507,810	9,777,001,752	10,916,886,627	11,442,194,635	10,157,833,813	8,451,603,174
(8,739,537,602)	(7,292,269,883)	(5,983,362,037)	(5,931,625,972)	(5,877,946,793)	(4,980,435,598)	(4,609,232,586)
(532,733,987)	(520,988,009)	(616,792,758)	(617,322,679)	(319,020,738)	(40,785,417)	(37,168,652)
-	-	-	-	-	(125,000,000)	(125,000,000)
(2,084,970,281)	(1,290,468,186)	(1,115,987,925)	(1,407,680,268)	(1,638,896,765)	(1,704,618,122)	(1,549,634,014)
1,998,116,109	1,926,781,733	2,060,859,032	2,960,257,709	3,606,330,339	3,306,994,676	2,130,567,922
(1,561,474,848)	(1,151,277,133)	(1,047,410,630)	(1,738,097,299)	(1,503,248,448)	(984,943,174)	(767,485,246)
(77,525,933)	-	-	-	-	-	-
-	-	-	-	-	(131,325,757)	(107,482,813)
359,115,328	775,504,600	1,013,448,401	1,222,160,409	2,103,081,891	2,190,725,745	1,255,599,863
990,279,323	(469,201,889)	(609,412,349)	(723,565,878)	(1,029,495,530)	(906,796,239)	(614,311,651)
1,349,394,652	306,302,711	404,036,052	498,594,531	1,073,586,361	1,283,929,506	641,288,212
2,889,883,677	1,486,878,989	3,758,858,141	2,750,187,219	689,184,136	482,919,655	428,697,741
					2,512,362,500	-
					27,702,520,133	18,979,572,034
6,133,705,351	6,596,072,932	8,436,353,244	9,798,242,492	6,496,628,053	6,682,475,675	1,682,030,495
-	-	-	-	-	196,500	204,200
120,280	188,140	145,160	123,000	115,600	-	-
-	-	-	-	-	127,508,812,394	105,653,630,944
-	-	-	-	-	516,934,932	516,741,803
198,008,145,155	175,229,666,656	156,694,052,473	136,205,641,441	133,432,804,004	-	-
65,079,635,908	54,856,210,318	46,962,354,137	45,664,745,400	27,757,513,965	-	-
2,289,919	2,289,919	2,289,919	2,289,919	4,176,342,999	-	-
926,615,241	928,568,438	970,538,655	1,228,419,894	1,275,785,603	1,204,892,835	1,186,397,657
68,867,744	113,688,780	21,272,699	45,356,343	60,787,719	37,842,762	58,025,552
718,096,698	505,092,023	598,978,557	855,183,154	-	-	-
3,525,174,919	1,263,795,071	903,720,969	696,316,484	467,332,859	343,878,698	217,649,611
-	-	-	-	-	-	-
8,042,615,550	4,907,060,297	2,760,586,570	2,732,423,840	2,580,824,487	2,266,365,532	2,191,034,111
285,395,150,443	245,889,511,562	221,109,150,524	199,978,929,186	176,937,319,425	169,259,201,615	130,913,984,148

TEN YEARS SUMMARY

Description	2025 LKR	2024 LKR	2023 LKR
Liabilities			
Due to banks	34,889,573,456	36,412,871,655	46,208,479,283
Due to other customers	283,715,706,932	253,664,001,776	226,079,614,772
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	1,787,249,711	531,164,074	-
Other liabilities	15,787,627,945	10,787,707,965	6,734,044,304
Retirement benefit obligation	4,057,860,699	4,047,465,661	2,829,577,605
Total Liabilities	340,238,018,743	305,443,211,131	281,851,715,965
Equity			
Stated capital	8,521,864,568	8,521,864,568	8,521,864,568
Statutory reserve fund	1,070,809,861	952,196,232	888,423,757
Retained earnings	5,819,842,126	4,110,111,527	3,970,324,488
Revaluation Reserve	1,128,170,414		
Other reserves	5,397,039,379	4,803,971,234	4,485,108,861
Total shareholders' equity	21,937,726,348	18,388,143,561	17,865,721,674
Total equity and liabilities	362,175,745,091	323,831,354,692	299,717,437,639
Capital Adequacy Ratio - As per BASEL III			
Common Equity Tier 1 Capital Ratio	9.79%	9.65%	10.09%
Total Tier 1 Capital Ratio	9.79%	9.65%	10.09%
Total Capital Ratio	14.50%	15.65%	17.28%

	2022 LKR	2021 LKR	2020 LKR	2019 LKR	2018 LKR	2017 LKR	2016 LKR
	47,470,707,056	29,500,936,543	21,796,679,350	22,050,009,005	11,098,334,822	10,729,312,134	11,765,493,022
	210,301,323,468	187,752,465,256	172,882,632,278	149,599,829,047	141,559,973,557	139,827,364,797	107,031,720,855
	-	2,000,000,000	2,000,000,000	4,707,852,534	4,707,852,534	4,707,852,534	2,708,377,456
	1,011,924,146	503,021,886	378,203,555	448,881,448	473,833,076	-	-
	7,293,487,262	7,693,300,812	6,154,443,776	5,970,920,446	2,460,286,430	2,686,028,770	2,130,544,286
	3,091,581,136	3,046,464,739	2,782,874,624	2,236,115,128	1,926,924,377	1,695,894,720	1,278,903,024
	269,169,023,068	230,496,189,235	205,994,833,583	185,013,607,608	162,227,204,796	159,646,452,955	124,915,038,643
	8,221,864,565	8,047,229,930	8,047,229,930	8,047,229,930	8,047,229,930	3,870,936,931	1,370,936,931
	845,247,866	777,778,133	762,462,998	742,261,195	717,331,468	663,652,150	599,455,675
	2,889,785,536	2,636,433,521	2,449,318,947	2,421,534,400	2,315,905,812	1,716,908,747	988,284,444
	4,269,229,407	3,931,880,743	3,855,305,066	3,754,296,053	3,629,647,420	3,361,250,831	3,040,268,455
	16,226,127,375	15,393,322,327	15,114,316,941	14,965,321,578	14,710,114,630	9,612,748,660	5,998,945,505
	285,395,150,443	245,889,511,562	221,109,150,524	199,978,929,186	176,937,319,425	169,259,201,615	130,913,984,148
	8.29%	8.72%	10.34%	10.90%	11.58%	8.73%	6.50%
	8.29%	8.72%	10.34%	10.90%	11.58%	8.73%	6.50%
	15.22%	14.27%	14.94%	16.27%	13.61%	12.57%	9.27%

INVESTOR INFORMATION

Significant Ratios

Ratios	31.12.2025	31.12.2024
Net Assets Value Per Share (Rs.)	39.07	32.75
Interest Cover (Times)	6.35	4.03

Share Information

Shareholders	Current Year		Previous Year	
	31.12.2025		31.12.2024	
	No of Ordinary Shares	Holding as %	No of Ordinary Shares	Holding as %
General Treasury	512,135,653	91%	512,135,653	91%
Bank of Ceylon	16,448,448	3%	16,448,448	3%
Peoples Bank	16,448,448	3%	16,448,448	3%
National Savings Bank	16,452,126	3%	16,452,126	3%
	561,484,675		561,484,675	

CORPORATE INFORMATION

REGISTERED NAME OF THE BANK

Pradeshya Sanwardana Bank

LEGAL STATUS

A licensed specialized Bank established under Pradeshya Sanwardana Bank Act No.41 of 2008

CREDIT RATING

“BBB+” Stable Outlook (Lanka Rating Agency)

BOARD OF DIRECTORS

INDEPENDENT NON - EXECUTIVE DIRECTORS

Mr. Chanura Jayantha Wijetillake
Mr. U.L.A.W. Bandara
Mr. Ranjith Kodituwakku
Mr. B.K.W.Nandasiri

NON - INDEPENDENT NON - EXECUTIVE DIRECTORS

Mr. A.P.L.Fernando - Chairman
Mr. D.A.P.Abeysekera - Treasury Representative (till 23.03.2025)
Mrs. S.Ramani Wijeratne
Mr. Kumara Rathna Bandara
Mr. P.A.Wijeratne
Ms. P.R.Madurawala
Mr. W.Ranaweera
Mr. Sujith Perera (till 30.09.2025)

GENERAL MANAGER/CEO

Dr. Asanga Bandara Tennakoon

SECRETARY TO THE BOARD OF DIRECTORS

Mrs. R M T Rajapakse

NUMBER OF BRANCHES

272

HEAD OFFICE

No. 933, Kandy Road, Wedamulla, Kelaniya
Tel : +94 11203 5454, +94 11203 5455-9
Fax : +94 11203 5467
E mail : info@rdb.lk
Website : www.rdb.lk
Tax Payer Identification Number (TIN) : 409272339
VAT Reg No : 40927339-7000

AUDITORS

Auditor General
National Audit Office
No. 306/72, Polduwa Road, Battaramulla.

PROVINCIAL OFFICES

NORTH CENTRAL PROVINCIAL OFFICE

No.65D, 4th Lane, Abaya Place, Anuradhapura.

UVA PROVINCIAL OFFICE

No.1/315, Passara Road, Badulla.

SABARAGAMUWA PROVINCIAL OFFICE

No.510, Colombo Road, Weralupa, Rathnapura.

SOUTHERN PROVINCIAL OFFICE

No.28B, Esplanade Road, Uyanwatte, Matara.

CENTRAL PROVINCIAL OFFICE

No.16, Dharmashoka Mawatha, Kandy.

WESTERN PROVINCIAL OFFICE

No.36, Kandy Road, Miriswatta, Mudungoda.

NORTH WESTERN PROVINCIAL OFFICE

No.155,Negombo Road, Kurunegala.

EASTERN PROVINCIAL OFFICE

No.51A, New Kalmunai Road, Kallady, Batticaloa.

This Annual Report is conceptualised, designed and produced by Redworks.

