UNION BANK

Transforming Lives

GROWING STRONGER

Union Bank of Colombo PLC - Annual Report 2025

GROWING STRONGER

This year marks a significant chapter in Union Bank's journey of progress and transformation. Through a focused commitment to innovation, enhanced customer experiences, and a strengthened digital presence, we have taken bold steps towards becoming a more agile, future-ready bank. Our brand has evolved, our teams have grown more resilient, and our partnerships—both within our branches and across our communities—have deepened. As we embrace change and look ahead with confidence, we do so with a renewed purpose: to continue growing stronger, together with those who trust in us every day.



CHAIRMAN'S MESSAGE

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CHIEF EXECUTIVE OFFICER'S REVIEW

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About this Report

Union Bank of Colombo PLC is proud to present its third Integrated Annual Report for the year ended 31st December 2025. This report provides a comprehensive account of our journey in creating and accelerating value for shareholders and stakeholders. We remain firmly committed to transparent and integrated reporting, bridging financial performance with environmental, social, and governance outcomes. The report offers stakeholders the insights needed to navigate an evolving landscape and make informed, high-conviction business and investment decisions. Set against the backdrop of a recovering economy, the 2025 report highlights our strengthened digital capabilities and unwavering commitment to our strategic priorities, positioning Union Bank as a resilient and future-ready institution.



Digital Version

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

Disclosure 2-3, 2-4

Reporting Scope and Boundary

This Integrated Annual Report offers a holistic evaluation of Union Bank's financial and ESG (Environmental, Social, and Governance) performance for the financial year spanning 1st January to 31st December 2025 (FY2025).

Significantly, this report marks our inaugural transition to the SLFRS Sustainability Disclosure Standards, specifically complying with:

- SLFRS S1 (General Requirements): Disclosing material information on sustainability-related risks and opportunities that impact the Bank's financial prospects.
- SLFRS S2 (Climate Related Disclosures): Providing specific insights into our climate resilience, including our physical and transition risks and progress.

The scope and reporting boundaries remain consistent with our 2024 report to ensure a stable basis for year-on-year comparison.

There have been no restatements to the information provided in previous reports or to the scope and aspect boundaries. Our reporting extends beyond internal operations to include the strategic narrative of our business model, ensuring connectivity between sustainability data and the financial statements as required by the new standards.

Furthermore, our reporting boundary accounts for external risks and opportunities originating from our value chain and entities outside our direct control whenever they significantly influence our ability to generate, sustain or protect value over the short, medium or long term.

Our reporting boundary covers opportunities, risks and outcomes arising:

- Stakeholders
- Materiality
- Governance
- Strategy
- Business Operations Review
- Operating Environment

Reporting Framework

Financial Statements	Report Narratives	Sustainability Reporting (ESG)	Corporate Governance Report
• Companies Act No. 07 of 2007 • Sri Lanka Accounting Standards (SLFRSs & LKASs) • Banking Act No. 30 of 1988 and subsequent amendments • Relevant directions and circulars issued by the Central Bank of Sri Lanka (CBSL) • Listing Rules of the Colombo Stock Exchange / Securities Exchange Commission (SEC) Regulations	• Integrated Reporting Framework • Guidelines for the presentation of Annual Reports issued by CA Sri Lanka	• Banking Act Directions No. 05 of 2022 on Sustainable Finance Activities of Licenced Banks • SLFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information • SLFRS S2: Climate-related Disclosures (Focusing on Climate Resilience & Risks) • UN Sustainable Development Goals (SDGs): Targeted impact on priority goals (4, 5, 7, 8, 9, 12, 13, 17) • GRI Standards (2021) of the Global Reporting Initiative • Non-Financial Reporting Guidelines issued by CA Sri Lanka • Gender Parity Reporting Framework issued by CA Sri Lanka	• Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023) • Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks • Listing Rules of the Colombo Stock Exchange / SEC Regulations • Companies Act No. 07 of 2007 • Banking Act No. 30 of 1988 and amendments thereto

Materiality

Materiality serves as the strategic filter for this report, ensuring we disclose information that is most significant to our stakeholders and critical to our long-term financial prospects. In 2025, our materiality assessment underwent a rigorous evolution to align with SLFRS S1 and S2. We identify "material" matters as those sustainability-related risks and opportunities that could reasonably be expected to affect the Bank's financial position, performance or access to capital over the short, medium and long term. This approach focused on enterprise value allows us to bridge the gap between our sustainability commitments and our financial outcomes.

Our 2025 materiality assessment integrated insights from a diverse range of internal and external stakeholders, including validation workshops held in July 2024 with input from the Director General of Sustainable Development Council (SDC) and in November 2025 with other industry experts.

Combined Assurance

Disclosure 2-5

Union Bank employs a robust combined assurance model that integrates internal oversight with independent external validation. Our Board receives continuous assurance through a multi-layered defense system: management's operational controls, the Bank's specialised risk functions and the independent evaluations of our Internal Audit division.

For the 2025 financial year, we engaged Ernst & Young (EY) to provide external assurance on our Financial Statements and other statutory financial disclosures. Critically, EY's mandate extended to our non-financial reporting, providing assurance over our compliance with GRI Standards (2021). This ensures that our sustainability and climate-related data meet the same rigorous accuracy and verifiability as our financial results.

Forward Looking Statements

The financial and non-financial projections within this report are based on management's current expectations, assumptions and estimations of the future economic and market landscape. These forward-looking statements involve inherent risks and uncertainties, as they relate to events that depend on circumstances beyond the Bank's control. Consequently, actual results may differ materially from those expressed or implied, particularly in light of evolving macroeconomic shifts and the long-term nature of climate-related outcomes.

Integrated Approach

At Union Bank, we are committed to a legacy of sustainable value creation. By adopting an integrated thinking approach, this mindset ensures that our decision-making process is both agile and responsible, allowing us to optimise our resources and deliver impactful outcomes for our stakeholders throughout 2025 and beyond.

Board Responsibility Statement

The Board of Union Bank of Colombo PLC takes the ultimate responsibility for this Integrated Annual Report for FY 2025. The Board assures that the report elicits a fair and transparent account of the performance, the financial stability and sustainability of the Bank. Accordingly, the Board approved this report for publication and release.



Disclosure 2-3

Feedback and Queries

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

Union Bank of Colombo PLC
Company Secretarial Division
9th Floor, 64 Galle Road, Colombo 03
Sri Lanka
E-mail: info@unionb.com
Tel: +94112374100
(Weekdays 8.30 am to 5.00 pm)

Navigation Icons

Capital Icons



Stakeholders



Strategic Pillars



About Us

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

About Union Bank

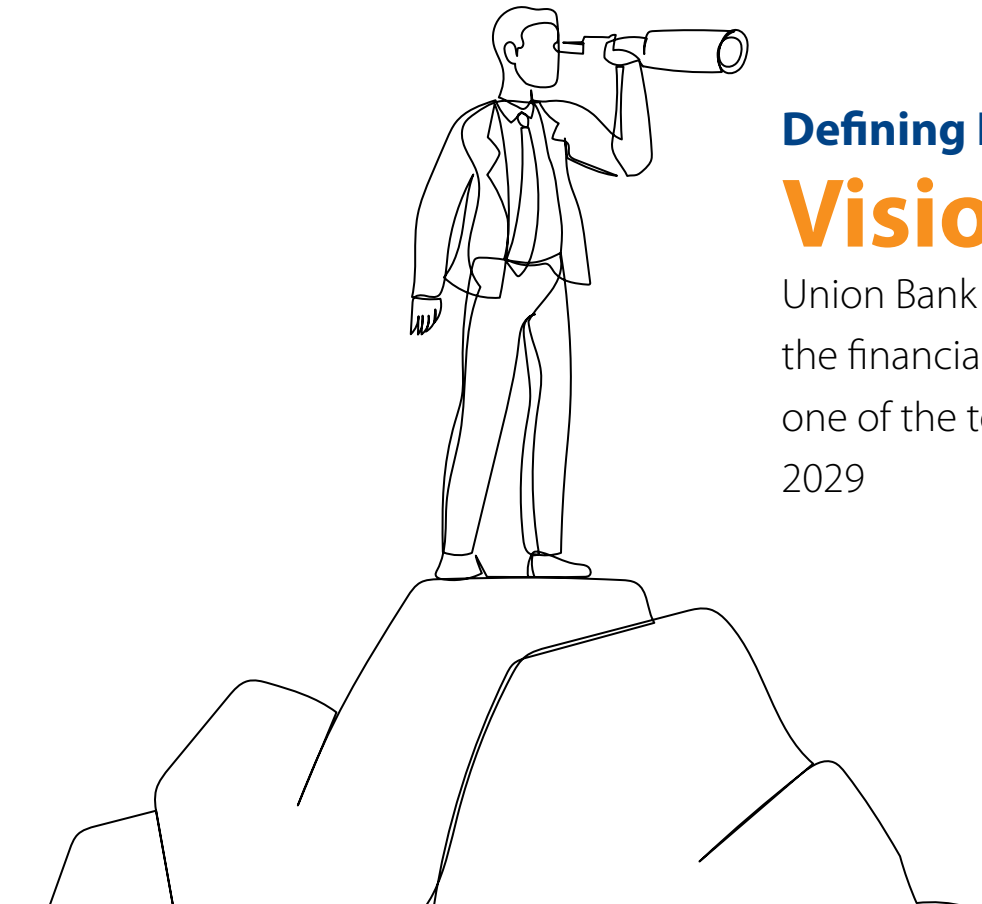
Union Bank is a licensed private commercial bank, and a public limited liability company listed on the Colombo Stock Exchange. Since its establishment in 1995, the Bank has grown into a trusted financial partner, empowering individuals, businesses and communities to contribute to a resilient and sustainable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

Building a Resilient, Purpose-Driven Future

Our approach to growth is holistic, combining technological advancements, product innovations and enhanced service delivery to offer a superior banking experience. With a network of 56 branches across the island, supported by alternative channels such as a 24-hour call center, digital banking platforms and an expansive ATM and CRM network, the Bank ensures seamless access to financial services for its diverse clientele.

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

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

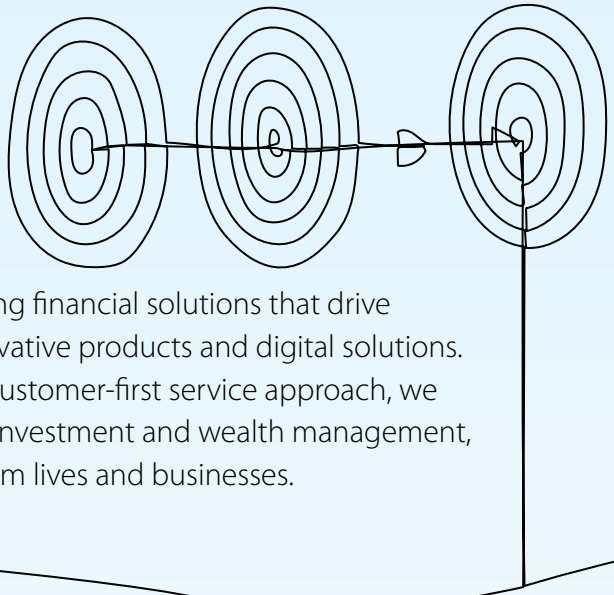


Defining How We Work

Vision

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



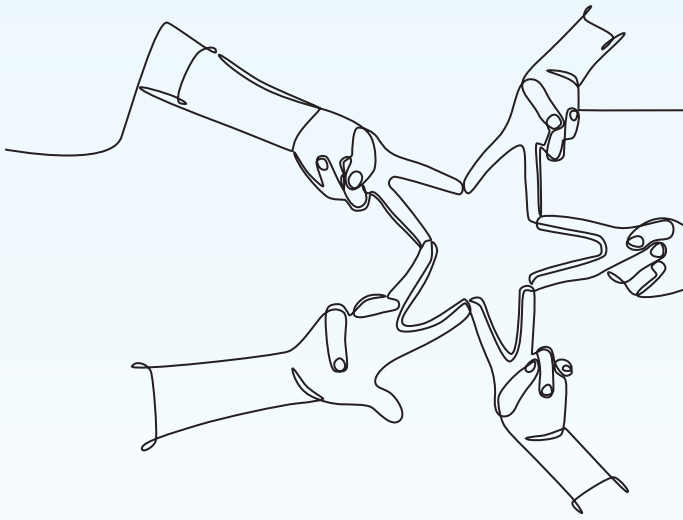


Mission

At Union Bank, we're dedicated to providing financial solutions that drive wealth, growth and security through innovative products and digital solutions. With a focus on transparency, ethics and customer-first service approach, we offer commercial banking, retail banking, investment and wealth management, and other value added services to transform lives and businesses.

Values

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



Pursuing Our Aspirations

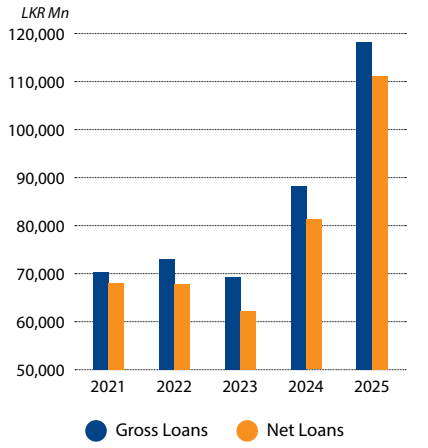
- **Reinforcing Brand Identity**
- **Retail & SME Growth**
- **Digital Transformation**
- **Service Philosophy**
- **Workforce Capacity Development**
- **Operational Excellence**

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

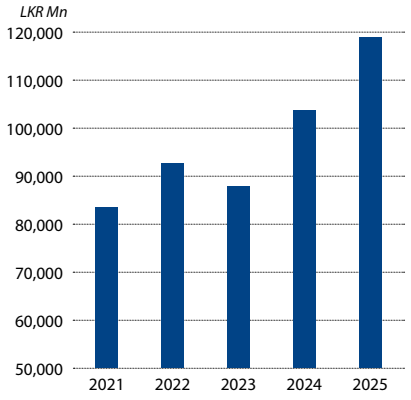
Financial Highlights

	BANK			GROUP		
	2025	2024	Change %	2025	2024	Change %
Results for the year (LKR' 000)						
Gross Income	18,235,567	16,450,684	10.8%	20,914,792	18,677,455	12.0%
Total operating income	8,278,136	6,877,623	20.4%	9,774,710	7,901,073	23.7%
Impairment for loans and other losses	358,647	141,901	152.7%	474,641	182,064	160.7%
Profit attributable to equity holders of the parent	654,694	300,202	118.1%	644,726	297,673	116.6%
Assets and Liabilities (LKR' 000)						
Gross Loans and advances to customers	118,051,238	88,264,533	33.7%	131,823,425	97,836,327	34.7%
Customer Deposits	118,801,448	103,740,584	14.5%	124,821,583	110,629,257	12.8%
Total Assets	172,633,304	147,191,673	17.3%	184,814,564	155,594,221	18.8%
Total liabilities	152,311,733	127,351,315	19.6%	164,119,974	135,385,393	21.2%
Total equity attributable to equity holders of the Bank	20,321,571	19,840,358	2.4%	20,319,395	19,848,151	2.4%
Profitability (%)						
Net Interest Margin	3.5%	3.4%		N/A	N/A	
Stage 3 Ratio (%)	8.1%	12.3%		N/A	N/A	
Return on average shareholders' funds (ROE) after tax	3.3%	1.5%		3.3%	1.5%	
Return on average assets (ROA) after tax	0.4%	0.2%		0.4%	0.2%	
Investor Information						
Earnings per share - Basic (LKR)	0.6	0.3		0.6	0.3	
Net asset value per share (LKR)	18.8	18.3		18.8	18.3	
Market value per share as at 31st December (LKR)	14.9	11.7		N/A	N/A	
Market capitalisation (LKR '000)	16,145,019	12,677,634		N/A	N/A	
Regulatory Ratios (%)						
Capital Adequacy Ratios (%)						
Common Equity Tier 1 Capital Ratio	12.2%	15.6%		13.2%	16.9%	
Tier 1 Capital Ratio	12.2%	15.6%		13.2%	16.9%	
Total Capital Ratio	13.2%	16.6%		14.3%	17.9%	
Leverage Ratio	7.2%	8.3%		7.9%	9.1%	
Liquidity Coverage Ratio (%)						
Rupee	160.3%	565.9%		N/A	N/A	
All Currency	153.8%	486.6%		N/A	N/A	
Net Stable Funding Ratio (%)	128.3%	136.0%		N/A	N/A	

Gross Loans and Net Loans



Deposits



LKR 118.1 Bn

GROSS LOANS

LKR 88.2 Bn (2024)

Growth of 34%

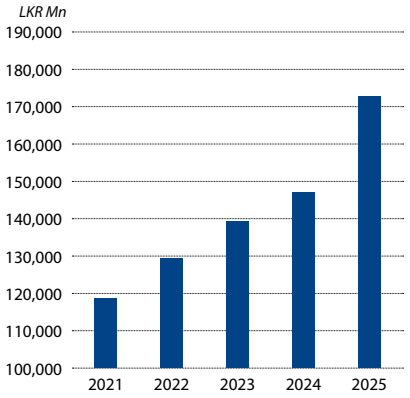
LKR 118.8 Bn

DEPOSITS

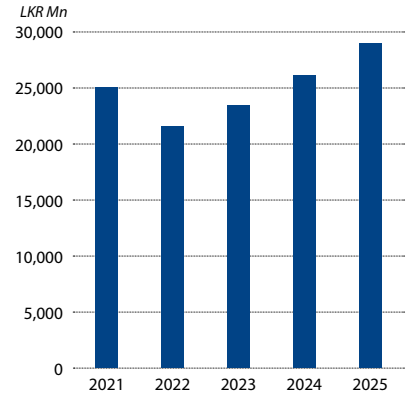
LKR 103.7 Bn (2024)

Growth of 15%

Total Assets



CASA



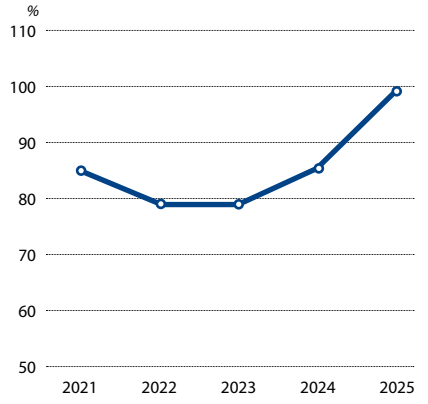
LKR 29 Bn

CASA

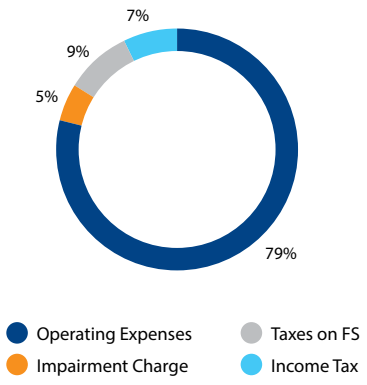
LKR 26.1 Bn (2024)

Growth of 11%

Loan to Deposit Ratio



Expenses Composition



LKR 110.8 Bn

NET LOANS

LKR 81.2 Bn (2024)

Growth of 36%

Milestones

1995
Commencement of Banking Operations

2011
- Initial Public Offer and listing in Colombo Stock Exchange
- Acquisition of National Asset Management Limited
- Acquisition of UB Finance formally, The Finance Guarantee Company Limited

2012
- Opened new Head Office premises
- Recognised as one of Sri Lanka's most valuable brands by LMD

2013
- Included to the LMD Top 100 listed companies
- Opening of the 50th branch in Maharagama

2014
- Received a landmark USD 117Mn investment from TPG USA
- Recognised as the Best SME Bank in Sri Lanka by Capital Finance International Awards

2016
- Won Global Brand Excellence Award in Malaysia

2018
- Crossed LKR 1 Bn PBT
- First local bank to launch a transaction banking solution

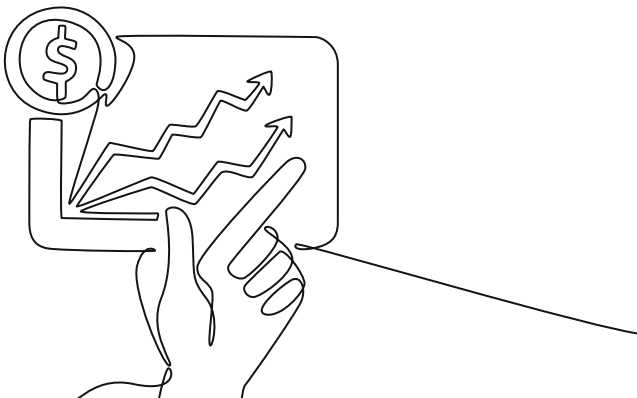
2019
- Recognised as the Best Cash Management Bank in Sri Lanka by Global Business Outlook Awards

2020
- Completed 25 years of service to the Nation.
- Recognised as the Best Cash Management Bank in Sri Lanka, by Asian Banker Transaction Finance Awards

2023
- UB Finance Initial Public Offer
- An affiliate of CG Corp Global, CG Capital Partners Pte Ltd acquired major shares of Union Bank

2024
- Launched Union Bank School of Social Entrepreneurship (UBSSE)
- Unveiled a new brand identity
- Crossed LKR 100 Bn in customer deposits
- Relaunched Pawning and Leasing
- Launch of revamped UBgo App

2025
- Launched the National Entrepreneurship Development Programme in partnership with the University of Moratuwa and the National Innovation Agency
- Crossed LKR 100 Bn in Loans and advances
- Launched VKYC facility
- Launched Power H.E.R, an integrated banking proposition for women entrepreneurs



Driven and defined

Union Bank continues to chart new frontiers as one of Sri Lanka's fastest-growing banks—expanding reach, deepening impact, and empowering the nation's enterprising spirit.

Chairman's Message

Disclosure 2-22



PROFIT BEFORE ALL TAXES

LKR 2.2 Bn

60% Growth

Dear Stakeholder,

It is my pleasure to share with you the Integrated Annual Report and Audited Financial Statements of Union Bank for the year ended 31st December 2025.

The year has been one of progress and strategic advancement for Union Bank. Amidst a dynamic and challenging banking environment, shaped by global trade tensions and climate-related disruptions, the Bank delivered a strong financial performance. This was underpinned by disciplined growth in assets, deposits, and profitability. Our focus on improving the Net Interest Margin (NIM), strengthening the loan book, and enhancing operational efficiency has positioned the Bank for sustainable growth within the banking sector.

A defining highlight of the year was the continued implementation of our Bank's Process Re-engineering (BPR) initiative. This comprehensive programme has streamlined operations, enhanced customer service, and strengthened risk management across the organisation. By improving efficiency

LKR 173 Bn

TOTAL ASSETS

17% Growth

> **Over the next five years, we aim to evolve into a larger, more agile, resilient, and customer-centric institution, delivering sustainable value to shareholders, customers, employees, and communities.**

and agility, the BPR initiative has enabled the Bank to respond effectively to market opportunities and evolving customer expectations. Combined with targeted digital investments, these efforts ensure that Union Bank remains relevant and innovative in Sri Lanka's financial sector.

Our people remain central to our strategy. In 2025, key priorities included talent development, succession planning, and the continued cultivation of a performance-driven culture. We have made measurable progress in fostering collaboration, accountability, and innovation, reinforcing the values and behaviours that define the Bank's long-term vision. Strengthening our culture remains an ongoing journey, and we remain committed to creating an environment where employees are empowered, engaged and equipped to contribute meaningfully to the Bank's success.

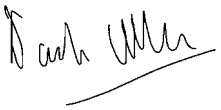
Governance and sustainability continue to guide our operations. Oversight frameworks have been strengthened at Board level through the establishment of dedicated subcommittees, and responsible banking practices are embedded across the organisation. Environmental, Social and Governance (ESG) priorities are integrated into decision-making, from lending strategies to community engagement initiatives. The Bank remains steadfast in upholding the highest standards of ethics and accountability, ensuring transparency for all stakeholders.

Looking ahead, the banking sector is poised for significant transformation, driven by digital innovation, regulatory evolution and emerging technology and financial risks. Union Bank is proactively preparing for these changes through strategic investments in technology, risk management, and human capital. Over the next five years, we aim to evolve into a larger, more agile, resilient, and customer-centric institution, delivering sustainable value to shareholders, customers, employees and communities. Our subsidiaries have also seen a positive turnaround since the economic crisis of 2022–23.

In conclusion, 2025 has reaffirmed Union Bank's commitment to value creation, responsibility, and long-term growth. While challenges persist, our strategic initiatives, strong governance and people-centric approach position the Bank to seize opportunities, navigate risks and create enduring value for Sri Lanka's financial sector and the broader economy.

I would like to convey my sincere appreciation to the entire team at Union Bank for their dedication and unwavering commitment during a year of transformation and progress.

My gratitude also extends to the regulators, led by the Central Bank, and to our key shareholder for their guidance, oversight and constructive collaboration, which have been instrumental in navigating this period of transformation and economic challenges.



Dinesh Weerakkody
Chairman

Colombo
27 February 2026

Chief Executive Officer's Review



NET PROFIT AFTER TAX

LKR **655** Mn

118% Growth

Dear Stakeholder,

It gives me great pleasure to present Union Bank's Annual Report for a year marked by an outstanding performance, during which we ranked amongst the fastest-growing banks in the country and delivered remarkable growth in Profit After Tax.

Performance in Context

Looking back briefly on the Bank's history, since its launch in 1995, as primarily a SME Bank, Union Bank has navigated multiple ownership transitions and vastly different operating environments. Over the past decade, the Bank operated amid a series of national crises; including the 2018 constitutional crisis, the 2021 Easter attacks, the COVID-19 pandemic, and the economic downturn in 2023. These conditions necessitated a highly conservative risk posture, with a strong emphasis on resilience and capital preservation. As a result, the Bank's portfolio concentration was within a limited number of high-end corporate exposures and a small group of private banking customers. Against this backdrop, a strategic shift in ownership was undertaken, resulting in CG Corp Global acquiring a 70.84% stake in the Bank to support

accelerated growth, capital optimisation and strategic expansion. The Bank's growth momentum this year reflects this transformation supported by a conducive operating environment.

Since 2024, the bank's growth-led strategy focused on rebuilding and expanding the asset base, with renewed emphasis on Retail and SME customers towards sustainable long-term value creation. This transformation is already evident; as at end-2025, the SME portfolio grew by 41%. This shift represents more than a change in portfolio mix—it signals a fundamental reorientation of the Bank towards growth, diversification, and long-term competitiveness.

Furthermore, at the end of 2024, the Bank articulated several strategic imperatives to guide execution in 2025. These priorities provided clear accountability, sharpened direction, and aligned the organisation around targeted growth and operational excellence, yielding measurable outcomes for strong growth. As discussed in the ensuing strategic summary, these results demonstrate the effectiveness of our strategic focus and reinforce our confidence in the Bank's forward trajectory.

A Year of Dynamic Growth & Redefined Strength

This year's performance is not just strong, it is a signal that we are redefining what a future ready Bank can be. We are driving a transformation agenda positioning us as a catalyst for sustainable growth.

The Bank's Net Profits After Tax increased to LKR 655Mn. representing a 118% increase over 2024; driven by the growth and diversification of Fee- based income, optimisation of Interest margins, disciplined cost management and improvements in asset quality, supported by a stable macro-economic environment.

Net Loans and Advances grew by 36% over 2024 supported by enhanced customer engagement and continued focus on portfolio quality over volume. Cumulatively, the portfolio has expanded by 78% over the past two years, increasing from LKR 62 Bn. to LKR 111 Bn. a highly encouraging trajectory. It is also noteworthy that the growth in Loans per Employee, places Union Bank amongst the country's top six Banks. While this progress is significant, the portfolio scale remains below the level required to deliver the return on equity (ROE) we aspire to achieve. ROE stood at 3.3% at end 2025. Accordingly, the multi-pronged strategic initiatives underway this year are designed to accelerate momentum and position the Bank to reach new growth thresholds in 2026.

The Deposit book grew by 15% during the year, as the Bank diversified its funding to include other longer term stable sources. The Bank continues to prioritise deposit mobilisation with intensified market engagement across the branch network, with sharper focus on broadening its funding customer base.

Net Fee-based Revenues grew by 34% during the year, driven primarily by strong contributions from Trade and Cash Management Solutions. The launch of Trade Connect at the Bank's Head Office, together with enhancements to the cash management platform Biz-Direct, played a significant role in supporting this growth.

The Corporate Banking sector continued to be a key contributor to the Bank's overall performance, strategically leveraging interest rate dynamics and the Bank's digital value proposition. During the year, the division successfully onboarded several new clients, including key local corporates, strengthening our position as a trusted partner in the evolving business landscape.

The Pawning, Leasing and vehicle loan portfolios delivered outstanding results during the year, reflecting strong market demand and focused execution. The launch of several new Leasing and Pawning product variants, namely Gold Loans, Vehicle Loans and Turbo Draft played an important role in driving this performance. The Leasing and vehicle loan portfolio in particular, expanded

> **"Recognising the need to transform legacy culture, systems, processes, and digital capabilities to sustain long-term competitiveness, the Bank initiated a comprehensive Transformation programme during the year under review."**

by LKR 10 Bn while the Pawning products, launched in 2024, grew by LKR 4 Bn. In parallel, we continued to strengthen our retail footprint through targeted channel expansion, including the opening of a new Elite Circle Centre in Negombo and a dedicated Leasing Hub in Kohuwela, both of which will contribute to further expansion.

The Bank was able to achieve a significant improvement in its Stage 3 Ratio, reducing it to 8.1% at year-end; from 12.3% at end-2024, reflecting decisive action to address legacy non-performing assets, supported by early filtration and proactive monitoring. This improvement was supported by the rescheduling of a small number of key corporate exposures that had been adversely

LKR 110.8 Bn

NET LOANS

36% Growth

Chief Executive Officer's Review

impacted by prior macroeconomic stress, alongside strengthened recovery and risk management efforts across the portfolio. It is also noteworthy that none of the loans disbursed this year became non-performing, underscoring the effectiveness of the Bank's enhanced credit discipline.

Digital channel growth was a key imperative of the Bank. It is hence most encouraging that digital adoption accelerated significantly during 2025, with 71% of customer transactions completed through the Digital channels, increasing from 65% at the start of the year. This growth was supported by the deployment of several Cash Recycle Machines (CRMs), increased usage of digital banking platforms including the upgraded UBgo mobile banking App and BizDirect - the Bank's digital solutions platform for corporates.

Accelerating Transformation for Scalable Growth

Recognising the need to transform legacy culture, systems, processes, and digital capabilities to sustain long-term competitiveness, the Bank initiated a comprehensive Transformation programme during the year under review. Led by a dedicated Business Process Re-engineering Unit established this year, the programme spans people, processes, and systems, with a focus on automation, digitalisation, and culture change.

A key initiative involved revising the branch operating model; relieving Branch Managers of operational responsibilities so that they could focus on customer engagement and business development, while Deputy Managers assumed operational oversight. This realignment has been a significant driver of growth, enabling deeper customer relationships, increased customer acquisition, and greater product portfolio diversification.

Our People

Our success is built on the talent, dedication, and capabilities of our workforce. Our Human Capital Management initiatives are now closely aligned with the Bank's strategic objectives, enabling improved profitability, operational efficiency, and market expansion. By strengthening workforce capabilities, we have enhanced credit quality, streamlined processes, and driven greater operational effectiveness.

Creating a customer-centric culture and fostering a continuous learning environment remain top priorities. During the year, we launched a Learning Management Portal, accessible on any device, it allows employees to acquire new knowledge, test themselves, and earn certification across a wide range of topics—from product knowledge and sales training to AI skills, soft skills, and customer relationship management. Complementing this, targeted competency-based training, leadership development, and engagement initiatives have begun to increase productivity, build leadership depth, and support sustainable growth in fee income and our loan portfolio. Succession planning has also identified a strong talent pipeline, preparing individuals for future leadership roles.

Additionally, we introduced CSAT an internal customer satisfaction survey enabling branches to provide feedback on business units, centralised and support functions at the Head Office contributing to enhance the Bank's overall customer experience.

The Bank's workforce of 1,140 employees has an average age of 30–35, reflecting an agile, adaptable culture with strong receptivity to change, while also highlighting areas where broader industry experience is needed. To address this, we continue to invest in targeted training and cross-functional exposure to strengthen capability and build depth across the organisation.

Sustainability in Motion

The past two years have marked the beginning of the Bank's deliberate journey towards sustainability, underpinned by a formalised structure and strengthened institutional capacity. This reflects our long-held conviction that growth must be responsible, inclusive, and future-focused. True to our tagline, Transforming Lives, Union Bank aims to transform lives beyond financial solutions, creating win-win opportunities that uplift individuals, strengthen communities, and support a more sustainable future.

In 2024, the Bank launched the Union Bank School of Social Entrepreneurship (UBSSE), a flagship social sustainability initiative. During the year, UBSSE successfully completed its first initiative—the National Entrepreneurship Development Programme (NEDP)—a landmark public-private partnership delivered in collaboration with the University of Moratuwa and the National Innovation Agency, providing academic, financial, and innovation leadership training to current and aspiring entrepreneurs.

Environmental stewardship remains a core pillar of the Bank's sustainability agenda. Following its 2024 commitment to achieving Net Zero emissions for Scope 1 by 2030, the Bank became a member of the Partnership for Carbon Accounting Financials (PCAF), enabling the measurement and disclosure of greenhouse gas emissions associated with its lending and investment activities in line with global standards.

Subsidiary Performance

The Union Bank Group's subsidiary - UB Finance, achieved an outstanding performance with significant increase in profits compared to previous year, to reach LKR 95 Mn. for the year and it is also notable that UBF's gross lending portfolio grew by 41%.

Our other subsidiary National Asset Management Limited (NAMAL), continued to reinforce its position as a leading asset management institution in Sri Lanka. The Company sustained steady progress across its core business lines, supported by disciplined investment processes, robust governance practices, and growing investor confidence, to achieve a net Profit growth of 102% to LKR 10 Mn.

Poised to Grow Stronger

Looking ahead, we expect Sri Lanka's economy to continue on a healthy growth trajectory in the year ahead, with the impact of Cyclone Ditwah expected to be limited although some supply side pressures could result in short-term upward pressure on prices. This provides a favourable backdrop for credit growth, underscoring the importance of consistent economic and fiscal policies to sustain investor confidence and encourage foreign direct investment (FDI).

In a year marked by accelerated change within the Bank, we will continue to pursue a forward-looking, digital-first strategy, guided by customer-centricity and innovation. Growth will be driven by a balanced mix of organic expansion and selective inorganic opportunities, aligned with the Central Bank's recommendations for industry consolidation.

A continued low-interest rate environment, coupled with relatively higher funding costs compared to larger peers, is expected to maintain pressure on Union Bank's net interest margins. Accordingly, the Bank will focus on fee-based revenue channels as a key growth driver, with digital channels and Trade business anticipated to be major contributors to Fee income. We will also reposition savings accounts and expand CASA balances to bolster our funding base.

Accelerating balance sheet growth underpinned by prudent and disciplined risk management remains a strategic priority. We aim to increase the contribution of Retail and SME segments to 65–70%, reflecting our focus on broadening and diversifying the retail portfolio.

Digital channels will continue to play a central role in delivering customer value. Key initiatives include the conversion of all branch ATMs to Cash Recycle Machines (CRMs), the establishment of additional Digital Zones to provide 24x7 banking access, and ongoing evolution of the UBgo app., leveraging advanced technologies for greater engagement. To remain competitive, we will continue to invest in strengthening our technology capabilities, embracing ecosystem strategies, and enhancing customer service across all segments.

In parallel, we will optimise our branch network through a hub-and-spoke model, centralising processing activities while branches focus on customer engagement and marketing. Performance disparities across branches will be addressed by replicating best practices, improving underperforming locations, and enhancing the overall profitability of the network.

Our people remain at the heart of transformation. The successful execution of Business Process Re-engineering initiatives will free up employee capacity for higher value-added activities, improving operational efficiency, enhancing customer service, and supporting disciplined cost management. The Bank is committed to building a learning, agile, and empowered workforce, capable of adapting to an increasingly digital and technology-driven environment. Combined with digitisation and digitalisation, these transformation efforts will also drive significant resource efficiencies and advance our journey towards a paperless office in the year ahead.

Appreciation

I extend my heartfelt gratitude to our Chairman and the Board of Directors for their unwavering guidance and support, which have been instrumental in translating our vision into a strong and tangible performance. I also sincerely thank my Corporate Management Team and the entire Union Bank team for their talent, passion, resilience, and dedication, which continue to fuel the Bank's growth.

As we approach a new year with added vigour, I wish to express my appreciation to the Governor and officials of the Central Bank of Sri Lanka for their continued guidance and the vital role they play as our regulator. Finally, I extend my deepest thanks to our customers and all stakeholders for their continued trust and confidence, which inspire us to keep Growing Stronger, while Transforming Lives.



Dilshan Rodrigo
Director/Chief Executive Officer

Colombo
27 February 2026

Business Model

Disclosure 2-6

Vision and Mission

Strategy

Inputs

FINANCIAL CAPITAL
- Equity Capital - LKR 20.3 Bn
- Deposit Base - LKR 118.8 Bn

MANUFACTURED CAPITAL
- 56 Branches
- 113 ATMs and CRMs
- 660 Agent Banking Network
- UBgo Mobile App
- UBdirect Online Banking Platform
- Union Bank BizDirect Cash Management Solution
- IT Infrastructure

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

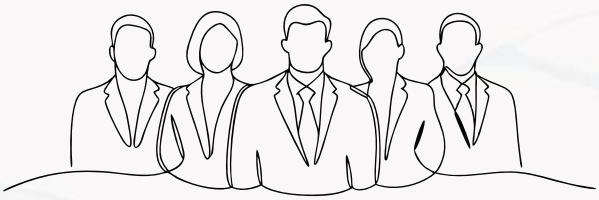
HUMAN CAPITAL
- Create a Competent UB workforce
- Performance-Driven Culture
- Talent Acquisition and Talented Workforce
- Team Building and Boosting Engagement Culture
- Employee Wellbeing and HR Governance

SOCIAL AND RELATIONSHIP CAPITAL
- Product Diversity
- Accessibility and Reach
- Responsible Marketing
- Service Quality
- Procurement Best Practices
- Community Development

NATURAL CAPITAL
- Sustainable Finance
- Carbon Footprint Management

Value Tranformation

Vision



VALUES AND CORPORATE CULTURE

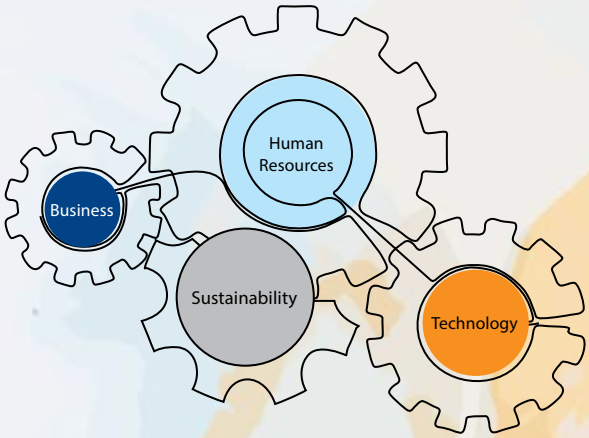
Delivery through

BUSINESS LINES
- Corporate
- Retail
- SME
- Treasury

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

Strategic Themes

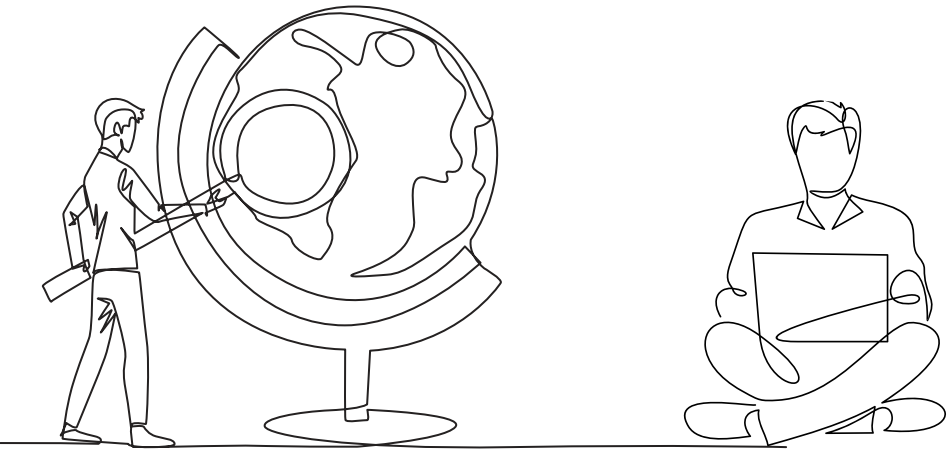
Strategic Objectives
- Reinforcing Brand Identity
- Retail and SME Growth
- Digital Transformation
- Service Philosophy
- Workforce Capacity Development
- Operational Excellence



Governance → **Risk Management & Compliance**

Value Transformation Outputs / Outcomes	SDG Impacted	Stakeholders Impacted
FINANCIAL CAPITAL • Earnings Per Share - LKR 0.6 • Profit - LKR 654.7 Mn • CAR - 13.2% • Taxes Paid- LKR 994 Mn		Shareholders, Regulators
MANUFACTURED CAPITAL • 23% Average Increase in Transactions at Union Bank ATMs and CRMs • 25% Average Increase in Transaction Values • 46% Increase in Transaction Values Through the UBgo app		Customers, Regulators
INTELLECTUAL CAPITAL • Increased Brand Loyalty • Higher Customer Satisfaction Levels • Zero Incidents of Non-Compliance • Zero Information Security Breaches		Customers, Shareholders, Regulators
HUMAN CAPITAL • Right person for the right job • 95% of the Workforce to Complete all the Mandatory E-Learning Modules • Developing Competencies for all the Critical Job Roles • Creating Talent Pools • Creating a Culture of Camaraderie and Collaboration		Employees
SOCIAL AND RELATIONSHIP CAPITAL • Uninterrupted Service • Reduction in Customer Complaints • Zero Incidents of Non-Compliance Concerning Marketing Communications • Zero Incidents of Non-Compliance Concerning Product and Service Information and Labelling • LKR 4.2 Bn paid to Suppliers and Service Providers		Customers, Shareholders, Regulators, Community, Business Partners
NATURAL CAPITAL • A Sustainable Finance Portfolio of LKR 2.1 Bn as at 31st December 2025 • 53 Trees Saved by recycling of waste paper • 9 Cubic Meters of waste not sent to landfills • Scope 1 and 2 GHG emissions managed at 1,541 tCO_2e		Regulators, Community, Business Partners

Operating Environment



Global Economy

The global economy is estimated to have grown by 3.3% in 2025, according to IMF estimates, in a year characterised by heightened fluidity and volatility. Economic conditions were shaped largely by a reordering of policy priorities in the United States and corresponding policy adjustments across other major economies. Developments in global trade dominated economic discourse during the year, with shifts in trade policy driving fluctuations in growth prospects.

As highlighted in the April 2025 World Economic Outlook, a series of new tariff measures introduced by the United States raised tariff rates to levels not seen in over a century. While countermeasures by US trading partners were relatively limited, these developments resulted in only marginal changes to the effective tariff rate on US exports. Subsequent announcements, including new trade agreements between the United States and several partners, as well as revisions to higher tariff rates for countries without agreements, contributed to a partial moderation in US effective tariff rates from their April peaks. As reflected in the WTO–IMF Tariff Tracker, effective tariff rates for most countries were brought into a range of approximately 10–20%, although these levels remain significantly above 2024 benchmarks.

Trade policy uncertainty nevertheless remained elevated, reflecting the absence of clear, transparent and durable agreements among major trading partners. Market attention gradually shifted from the eventual level of tariffs to their broader implications for prices, investment decisions and consumption patterns.

The US economy is estimated to have expanded by 2.1% during the year. Increased investment in the technology sector is estimated to have contributed approximately 0.3 percentage points to average annualised GDP growth over the first three quarters, helping to offset the adverse effects associated with the federal government shutdown in the final quarter of the year.

In contrast, China's economic growth moderated in the third quarter, reflecting subdued domestic demand, particularly in the housing sector, which was only partially offset by resilient export performance. Year-on-year growth in China is estimated at 5.0% in 2025. In Europe, growth outcomes were mixed. France witnessed an estimated annual expansion of 0.8% whilst Germany's real GDP remaining broadly unchanged between the second and third quarters, resulting in an estimated annual growth rate of 0.2%. Japan's economy contracted in the third quarter, leading to an estimated GDP growth rate of 1.1% for the year.

Despite shifting global trade policies, India remains the world's fastest-growing major economy. The country's GDP is estimated to have grown between 6.3-6.8% in 2025 and to grow by 6.5% in fiscal 2026, reflecting its domestically driven nature, according to the IMF as well as S&P Global company. A favourable monsoon season, low crude oil prices and reduced interest rates are said to support Indian growth; however, downside risks are on the horizon. Although domestic factors drive economic growth in India, global trade uncertainties are propelling a realignment of its trajectory. The direct and indirect impacts of tariffs alongside declining growth in trade destinations will test India's economic resilience. The Indian economic growth outlook marks a return to a prepandemic trend. The economy in India grew 6.6% annually in the decade preceding calendar year 2020. This was followed by above-average growth of 8.8% between fiscal years 2022 and 2024, according to the National Statistics Office, driven by a low-base effect and investment-led stimulus from the government. Rising interest rates, fuelled by high inflation in India and normalised fiscal spending, led to a moderation in economic growth.

Global Macroeconomic Outlook

According to the IMF, global growth is expected to remain broadly stable over the 2026–2027 period, with output projected to expand by 3.3% in 2026 and 3.2% in 2027, marginally below the estimated growth of 3.3% recorded in 2025.

Growth in advanced economies is projected at 1.8% in 2026 and 1.7% in 2027. In the United States, economic expansion is expected to be supported by fiscal stimulus measures and an accommodative monetary policy stance, with GDP growth projected at 2.4% in 2026 and 2.0% in 2027. These projections are underpinned by incentives for corporate investment and continued productivity gains driven by technological innovation. In the Euro area, growth is forecast to remain subdued at

1.3% in 2026 and 1.4% in 2027, supported by public expenditure in key economies, while persistent structural challenges and elevated energy costs continue to weigh on economic activity. Japan's growth is expected to moderate to 0.7% in 2026 and 0.6% in 2027, reflecting softer external demand and ongoing domestic structural constraints.

Global inflation is expected to ease gradually, declining from an estimated 4.1% in 2025 to 3.8% in 2026 and 3.4% in 2027, supported by moderating commodity prices and broadly supportive monetary policy conditions. Inflation is expected to return to target levels more slowly in the United States compared to other major economies.

Overall, the global economy is expected to follow a resilient but uneven growth trajectory over the medium term, shaped by technology-driven investment, supportive fiscal and monetary policies, and varying structural conditions across regions.

Source : IMF, World Economic Outlook, January 2026

Sri Lankan Economy

Sri Lanka's economic recovery gathered momentum in 2025 despite continued global headwinds, including geopolitical tensions and volatility in commodity prices. Following a contraction of 2.3% in 2023, economic activity strengthened progressively, with GDP growth recorded at 2.4% in the fourth quarter of 2024, 4.8% in the first quarter, 4.9% in the 2nd quarter, and 5.4% in the third quarter of 2025. This recovery was broad-based, supported by improved performance across all major sectors of the economy.

The Industry sector recorded the strongest growth of approximately 8.1%, driven primarily by manufacturing, construction, and related activities. The Agriculture sector expanded by around 3.6%, reflecting improved crop yields and enhanced farm production, while the Services sector grew by approximately 3.5%, led by tourism, transport, financial services, and other service-oriented industries.

Macroeconomic stability in 2025 was reinforced by a dual surplus in the trade and current accounts, alongside an overall balance of payments surplus. These developments contributed to improved external sector resilience and supported a revival in private sector credit growth.

In recognition of Sri Lanka's compliance with programme conditionalities, the country received its sixth tranche of USD 350 Mn under the International Monetary Fund's Extended Fund Facility in December 2025, bringing total disbursements to approximately USD 2 Bn. The IMF-supported reform programme, initiated in March 2023, has begun to yield tangible outcomes, including improved economic growth, price stability and progress in rebuilding foreign exchange reserves. Revenue-based fiscal consolidation, strengthened public financial management, and ongoing structural reforms have enhanced fiscal discipline and mitigated macroeconomic risks. In parallel, the successful debt restructuring process has delivered substantial relief and placed public debt on a more sustainable trajectory.

However, Sri Lanka's growth momentum faced a setback following Cyclone Ditwah, which struck the island on 28th November 2025. The cyclone resulted in the loss of more than 600 lives, displaced over 100,000 people, and caused widespread damage to housing, infrastructure, and livelihoods. The Government responded swiftly with a comprehensive relief and rehabilitation programme, including direct assistance to affected households, restoration of critical infrastructure and targeted support for vulnerable communities. IMF emergency financing is expected to assist in addressing urgent balance of payments pressures and fiscal needs arising from the disaster.

According to the IMF, while the full economic impact of Cyclone Ditwah is still unfolding, near-term economic activity is expected to be adversely affected. The agriculture and tourism sectors, which are key drivers of growth, are likely to experience the most pronounced disruptions. Inflationary pressures may intensify due to supply-side constraints, while the current account deficit is projected to widen in the year ahead.

Data published by the Central Bank of Sri Lanka indicate that leading economic indicators up to November 2025 point to a continuation of the recovery trend. Private sector credit expanded strongly during the year, supported by a low-interest-rate environment, improving business confidence, and the release of pent-up demand, particularly for vehicle imports. This credit momentum is expected to continue in the period ahead.

Imports have increased in recent months, contributing to a widening trade deficit; however, robust inflows from tourism earnings and workers' remittances have helped cushion the impact on the external current account. Gross Official Reserves were maintained above USD 6 Bn as at November 2025, supported by net foreign exchange purchases by the Central Bank and expected inflows from multilateral institutions in December 2025.

Inflation

On a year-on-year basis, headline inflation remained positive at 2.1% in December, driven mainly by non-food prices. Higher costs in restaurants and hotels, education, and modest increases in clothing and footwear were the key contributors.

Historically, inflation in Sri Lanka has been highly sensitive to shocks that disrupt demand and supply, particularly natural disasters. Such events typically lead to sharp increases in food inflation. Headline inflation, as measured by the CCPI, continued to accelerate in October for the third consecutive month. Inflation is now expected to rise more gradually than previously anticipated and converge to the target by the second half of 2026. Core inflation is also projected to increase modestly as domestic demand strengthens, while medium-term inflation expectations remain well anchored.

Operating Environment

Interest Rates

Continuing the accommodative monetary policy stance, which commenced in mid-2023, the Central Bank further eased its monetary policy stance in May 2025 by way of reducing the overnight policy rate by 25 basis points to 7.75 %. As a result, the SDFR and the SLFR, which form a symmetric corridor of ±50 basis points around the open market rate, were revised down to 7.25% and 8.25 %, respectively. Benefiting from the eased monetary policy stance and conditions, the short-term market interest rates adjusted downwards and accordingly, the Average Weighted Call Money Rate hovered mostly around the open market rate during the first half of 2025 and stood at 7.75 % by end June 2025. In line with the reduction in short-term interest rates, the overall interest rate structure of the economy witnessed a reduction in the first half of 2025. The monetary easing also contributed to a lower Average Weighted Lending Rates (AWLR).

Historically, interest rates tend to rise after major natural disasters due to increased government borrowing for relief and reconstruction. In the current context, however, the government's sizeable cash buffer of around LKR 1 Tn reduces the need for immediate additional borrowing. The planned retirement of about LKR 500 Bn in Treasury bills may slow, allowing some funds to be redirected toward disaster-related spending. Thus, it is expected that the overall impact on rates would be contained, though CBSL's policy decisions, shaped by upcoming inflation trends and potential liquidity injections will be a key determinant.

Exchange Rate

During 2025, under the flexible exchange rate regime, the Sri Lankan Rupee depreciated marginally against the US Dollar compared to end-2024, despite intermittent volatility.
In the first half of 2025, the Central Bank intervened in the domestic foreign exchange market to purchase foreign exchange and build reserves, while also curbing undue exchange rate volatility without disrupting market functioning.

The increased import of investment-related goods to support infrastructure restoration and upgrades following the destruction of the cyclone could place additional pressure on the exchange rate. The rate stood at LKR 309.99 to the USD as at 31st December 2025.
(Source: Central Bank of Sri Lanka.)

Outlook

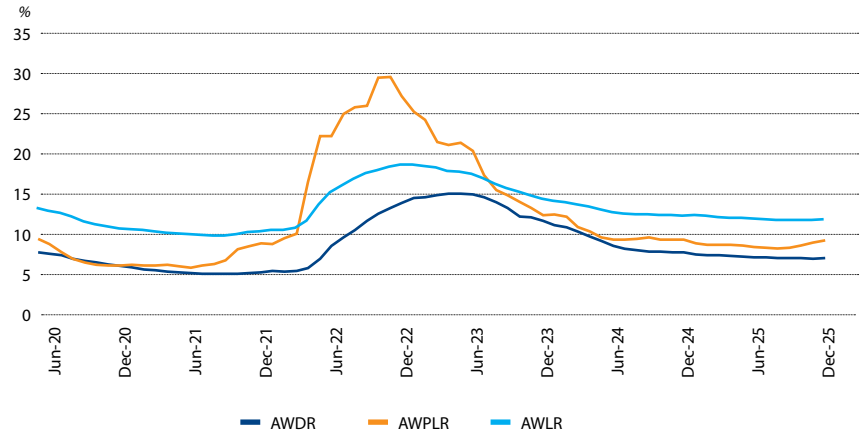
Sri Lanka's economic performance has historically shown strong resilience in the face of major natural disasters. Based on such historical patterns, a similar recovery trajectory (from the impacts of cyclone Ditwah) is expected into 2026.

Accordingly, the Central Bank in its 'Policy Agenda for 2026' projects Sri Lanka's GDP growth to be between 4% and 5% in 2026, which are higher than the World Bank's estimate of 3.1% made in April 2025 and IMF estimates for Sri Lanka.

Banking Sector Overview

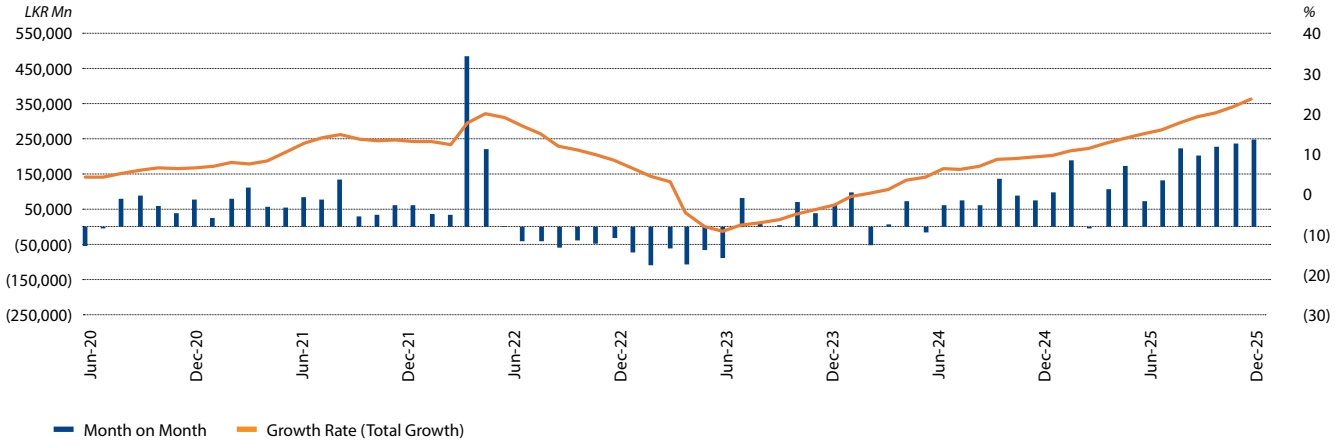
Sri Lanka's banking sector showed continued resilience and gradual strengthening in 2025, supported by improved macroeconomic stability, stronger policy credibility and recovering economic activity. Improved liquidity conditions, stronger capital adequacy and a more stable interest rate environment contributed positively to sector performance. Asset quality indicators stabilised, reflecting loan restructuring efforts, improved borrower cash flows and prudent risk management by banks.

Market Interest Rates



Source - CBSL Monthly Report

Net Credit to Private Sector



Business sentiment remained positive throughout the year, with confidence indicators staying above neutral levels, reflecting improved expectations for economic recovery, investment and medium-term growth prospects. The downward trend in lending rates supported increased demand for credit from both corporate and household sectors. Credit expansion was broad-based and increasingly rupee-denominated, indicating improved confidence in domestic currency stability and reduced dollarisation risks. Non-performing loans gradually improved, though legacy stress and sector-specific vulnerabilities required continued monitoring. Banks maintained adequate provisioning buffers to safeguard balance sheet strength.

Profitability improved further in 2025, driven by economic recovery, better repayment capacity and expanding loan books. Net interest income remained the main earnings driver, despite some margin moderation in line with declining interest rates. Improved liquidity and stable funding supported margins, while non-interest income benefited from higher transaction volumes and trade-related activities. Lower impairment charges and contained operating expenses, supported by digitalisation and cost efficiency measures, also contributed to improved profitability and cost-to-income ratios across the sector.

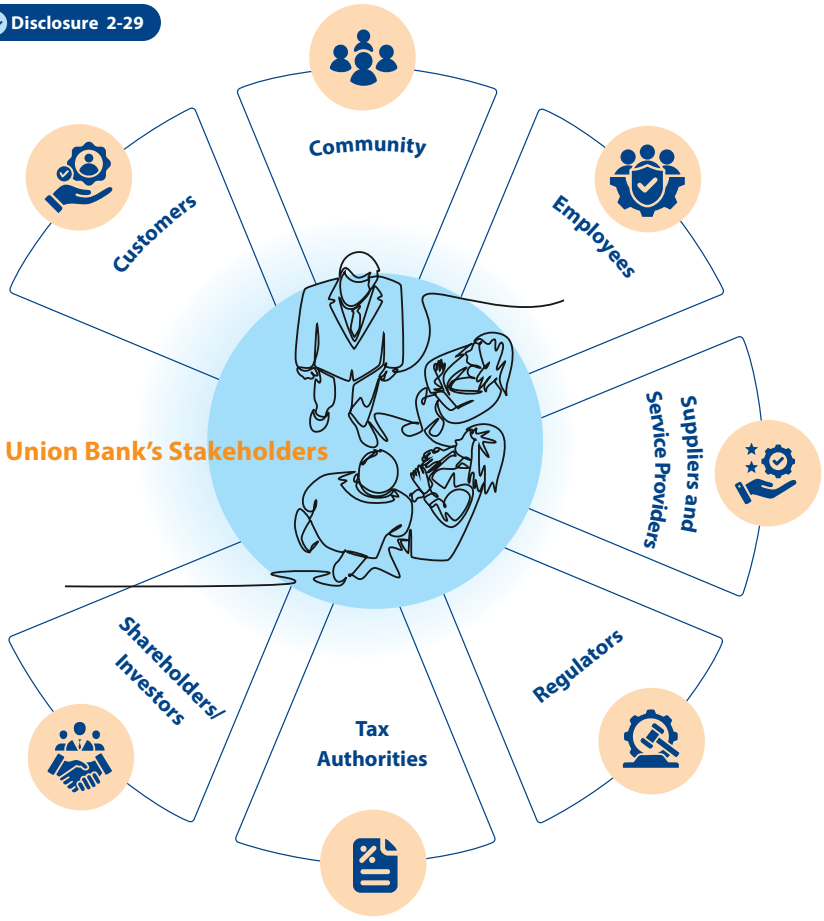
The average LKR deposit base grew by 11% in 2024. During the first three quarters of 2025, domestic currency deposits recorded a stronger growth of 15%, providing banks with greater capacity to expand loans and advances while improving system liquidity. This acceleration in deposit mobilisation reflects improved public confidence in the banking system, supported by macroeconomic stabilisation and easing inflationary pressures. Meanwhile, foreign currency deposits grew at a relatively moderate pace of 7% in 2025, indicating steady inflows alongside a more stable external sector and exchange rate environment.

Strengthening capital adequacy further enhanced the resilience of the banking sector. Tier 1 capital (after regulatory adjustments) expanded by 21% in 2025, significantly higher than the 13% growth recorded in 2024, driven by improved profitability, retained earnings, and selective capital-raising initiatives. In parallel, risk-weighted capital increased by a healthy 13% in 2025, compared with just 5% in the previous year, highlighting better asset quality management and controlled risk-taking. Overall, these developments have strengthened the sector's ability to absorb shocks, support credit growth, and sustain financial stability in a gradually recovering economic environment.

Increased digital engagement and heightened VAT and SSCL compliance requirements encouraged more SMEs to enter the formal banking system, thereby expanding the Bank's eligible borrower base.

Stakeholder Engagement

Disclosure 2-29

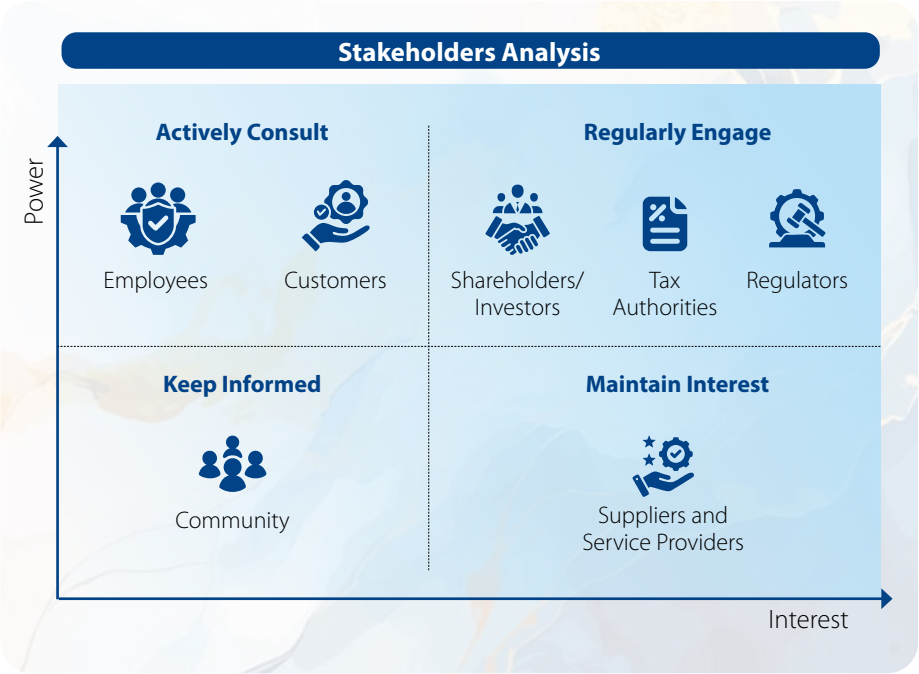


At the heart of Union Bank's value creation framework lies its stakeholders, serving as foundational pillars by providing vital capital inputs. Recognising their critical role, the Bank places high priority on building and sustaining strong relationships with stakeholders. It continually strives to understand stakeholder needs and expectations and to exceed them.

The Bank follows a structured and systematic approach to identifying stakeholders who are integral to its value creation journey. The Business Heads at Head office and across the many locations identify stakeholders within their respective regions based on the level of influence they exert on the Bank's performance and the degree of interest or concern they hold in the Bank's activities. These stakeholders are then mapped onto a stakeholder (power–interest) matrix, which in turn guides the frequency and methods of engagement. Union Bank's stakeholder network comprises multiple groups that are critical to value creation, including a geographically diverse customer base spread across the country.

Engaging with stakeholders is essential for understanding and anticipating risks and challenges, foreseeing opportunities and strengthening the Bank's credibility through transparent and consistent communication. Furthermore, stakeholder engagement plays a key role in shaping Union Bank's Environmental, Social and Governance (ESG) strategies and outcomes. Through open dialogue and enhanced transparency, the Bank is able to identify, prioritise and address material social and environmental sustainability objectives.

Communication remains a vital pillar in sustaining long-term stakeholder relationships. By ensuring a shared understanding of the Bank's business ethos and objectives, effective communication supports sustainable business growth. Union Bank employs multiple modes of communication, tailored to the needs of each stakeholder group as outlined below.



Union Bank's Key Stakeholders and Methods of Engagement			
Method of Engagment	**Frequency of Engagment**	**Matters of Importance to Stakeholders**	**Union Bank's Response**
SHAREHOLDERS /INVESTORS **As a listed entity, Union Bank has 27,530 Individual shareholders and 426 Institutional shareholders**			
Annual General Meeting	Annual	• Financial performance • Strategy • Governance, Compliance & Best Practices • Shareholder returns • Business expansion plans • Risk management • Sustainable growth	Financial Capital *Refer pages 64 to 66*
Annual Report	Annual		
Extraordinary General Meeting	As needed		
Interim Financial Statements	Quarterly		
CSE Announcements	As needed		
Press Conferences/Press Releases	As needed		
Corporate Website	Continuous & ongoing		
Social Media Platforms	Continuous & ongoing		
CUSTOMERS **Union Bank serves more than 246,900 customers in Sri Lanka and overseas**			
Sales Teams	Continuous & ongoing	• Customer touch points • Customer security & privacy • Service quality • Affordability of services and convenience • Digital solutions • Complaint handling mechanisms • Financial advisory services • Financial support for revival of business • Financial inclusion	Social & Relationship Capital *Refer pages 86 to 90*
Call Center	Continuous & ongoing		
Promotional Activities	Continuous & ongoing		
Press Conferences/Press Releases	Continuous & ongoing		
Corporate Website	Continuous & ongoing		
Social Media Platforms	Continuous & ongoing		
Customer Surveys	As needed		
EMPLOYEES **Union Bank's 1,140 employees are located around Sri Lanka**			
Sales Briefings/Team Meetings	Continuous & ongoing	• Remuneration & benefits • Performance management • Career planning • Training & development • Employee loyalty & recognition	Human Capital *Refer pages 71 to 84*
Management Meetings	As needed		
Internal Communications (intranet)	Continuous & ongoing		
Employee Notice Board	As needed		
Training Activities	Continuous & ongoing		
Awards Ceremonies	Annual		
Bank Events	As scheduled		

Stakeholder Engagement

Union Bank's Key Stakeholders and Methods of Engagement			
Method of Engagment	**Frequency of Engagment**	**Matters of Importance to Stakeholders**	**Union Bank's Response**
REGULATORS: **As a Licensed Commercial Bank and a listed entity, Union Bank's main governing bodies are the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.**			
Directives & Circulars	Continuous & ongoing	• Financial Performance • Governance & Compliance • Shareholder returns • Digital strategy • Employment opportunities • Branch expansion plans • Support for SME's	*Capital Reports Refer pages 64 to 103*
CBSL Audit	Annual /As needed		
Interim Financials	Quarterly		
Annual Report	Annual		
Regulatory Submissions/Filings	As mandated		
Other Meetings	As needed		
SUPPLIERS AND SERVICE PROVIDERS: **Union Bank deals with a network of 971 suppliers and service providers**			
Supplier Registration Process	Biennially	• Timely settlement of dues • Future Business opportunities • Ease of Working • Collaboration for new technological advances in the financial sector	Social & Relationship Capital *Refer page 91 to 92*
One-on-One Meetings	Continuous & ongoing		
Corporate Website	Continuous & ongoing		
Other Correspondence	Continuous & ongoing		
COMMUNITY AND ENVIRONMENT: **Union Bank maintains close ties with the wider community and in particular the communities in the neighborhoods of the branch network.**			
Press Conferences/Press Releases	As needed	• Community empowerment • Assistance to disadvantaged and vulnerable groups • Employment Opportunities • Environmental Performance	Social & Relationship Capital *Refer page 93*
Corporate Website	Continuous & ongoing		Natural Capital *Refer pages 97-103*
Social Media Platforms	Continuous & ongoing		
Annual Report	Annual		
Community Initiatives	As needed		
TAX AUTHORITIES: Disclosure 207-3 **Union Bank closely interacts with the Local Tax Authorities and the Department of Inland Revenue to ensure that it's compliant with the local tax regulations.**			
Interviews & Discussions with Authorities	As needed	• Timely Tax payments • Timely & accurate Tax filings • Resolution of long outstanding tax issues	Notes to Financial Page 252
Tax filings	Periodic		
Tax Payments	Periodic		

Materiality

Disclosure 3-1

Union Bank recognises that a clear understanding of material issues is fundamental to creating and sustaining long-term value. Identifying what matters most enables the Bank to make informed strategic decisions, effectively manage risks and build enduring trust with stakeholders.

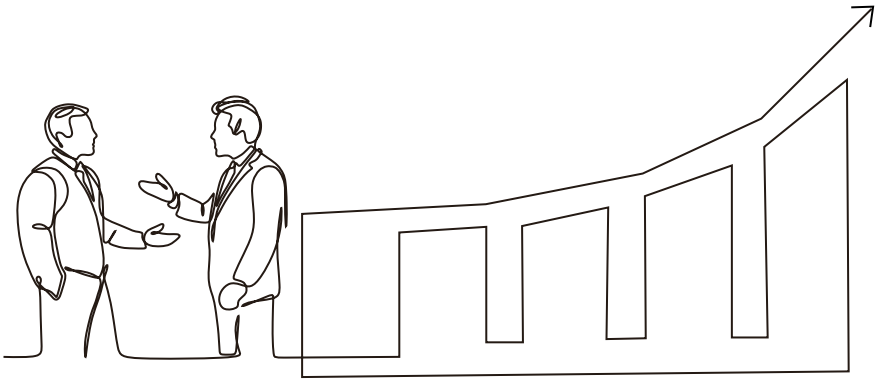
Stakeholder engagement is therefore a critical precursor to the identification of the Bank's material topics. The Bank actively engages with a diverse range of stakeholders to capture their perspectives, expectations and areas of concern. As outlined in the stakeholder engagement mapping, inputs are gathered from multiple sources and channeled to inform management decision-making, while ensuring that stakeholder priorities are appropriately considered.

The information collected through these engagement processes is analysed alongside internal and external data, using prudently defined thresholds to assess both the significance and likelihood of potential impacts associated with each identified topic. This structured evaluation enables the Bank to determine which issues could most materially affect value creation over the short, medium and long term.

Accordingly, the issues deemed material to Union Bank's value creation are prioritised based on their level of impact and the frequency of occurrence, as illustrated in the materiality matrix below.

The Bank has identified the following as important stakeholders

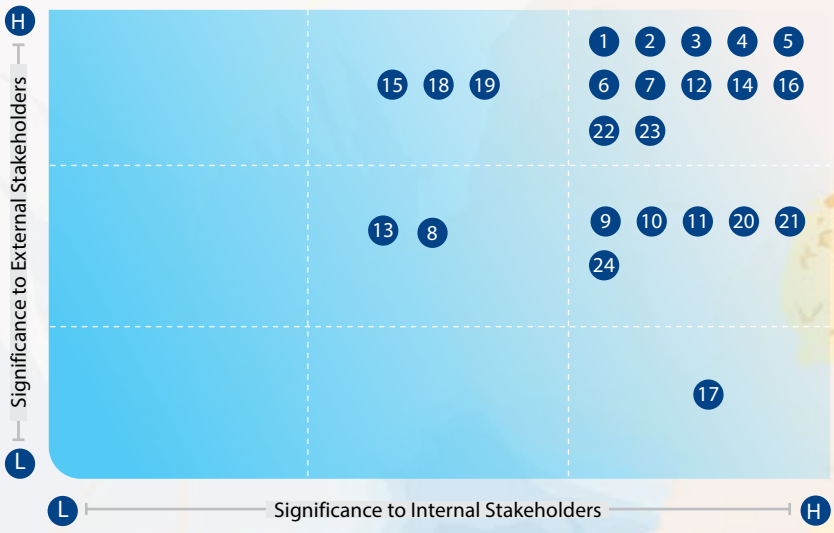
1. Shareholders/Investors
2. Customers
3. Regulators
4. Community
5. Suppliers and Service Providers
6. Employees
7. Tax Authorities



Process Adopted in Arriving at the Materiality Matrix

Identification of key stakeholders based on previous engagement and peer review	Prioritisation of key stakeholders and ranking of identified material topics	Feedback collection from various key stakeholders through various engagement forms.	Based on the responses received, a materiality matrix of prioritised material topics was developed.

Materiality matrix



Materiality matrix: mapping stakeholder priorities

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

Materiality

Disclosure 3-2

H High M Medium L Low

Material Topic	Bank	Stakeholder	Link to Strategy	GRI Relevance	Further Reading
Economic Performance	H	H	Shareholders	201	
Prudent Lending	H	H	Shareholders	N/A	Business Reports - pages 52 to 62 / Financial Capital - page 64 to 66
Credit Quality Management	H	H	Shareholders / Customers	N/A	Business Reports - page 54 to 62 / Financial Capital - page 64 to 66
Tax	H	H	Shareholders	207	
Customer Outreach and Convenience	H	H	Customers	N/A	Manufactured Capital - page 67 to 70
Digital Transformation	H	H	Customers	N/A	Intellectual Capital / Social and Relationship Capital- pages 89 to 90 and 94 to 96
Service Excellence	H	H	Customers	N/A	Social and Relationship Capital - page 88
Procurement Practices	L	L	Suppliers	204	Social and Relationship Capital - page 91 to 92
Energy	H	M	Shareholders	302	Natural Capital – page 100
Brand Equity	H	M	Shareholders / Customers	N/A	Intellectual Capital - pages 94 to 96
IT Resilience	H	M	Shareholders / Customers	N/A	Intellectual Capital - page 95
Employee Job Satisfaction	H	H	Employees	N/A	Human Capital - pages 71 to 84
Anti-Competitive Behaviour	M	M	Customers	206	
Employment	H	H	Employees	401	Human Capital- Pages 71 to 84
Labour Management Relations	M	H	Employees	402	Human Capital- Pages 71 to 84
Training and Education	H	H	Employees	404	Human Capital- Pages 80 to 83
Occupational Health and Safety	L	H	Employees	403	Human Capital- Page 79
Diversity and Equal Opportunity	M	H	Employees	405	Human Capital- Page 79
Non-Discrimination	M	H	Employees	406	Human Capital- Page 78
Child Labour	H	M	Employees	408	Page 32
Forced and Compulsory Labour	H	M	Employees	409	Page 32
Marketing and Labeling	H	H	Customers	417	Social and Relationship Capital - page 89
Customer Privacy	H	H	Customers	418	Social and Relationship Capital - page 90
Operational Efficiency	H	M	Shareholders	N/A	Financial Capital – page 65

Disclosure 3-3

GRI related Material Topics and Boundaries

Materiality has been determined by Union Bank, by assessing the significant impacts of the Bank's operations on both internal and external stakeholders, as well as the influences arising from external factors which impact the Bank. The Bank's activities have been evaluated across both financial and non-financial dimensions. Compared with the previous year's assessment, no material changes have been identified in the material topics or their defined boundaries included in this report. The relative significance of the material topics discussed is outlined below.

Economic Performance

Disclosure 201

Reasons for Materiality	The Bank's economic performance is a direct outcome of its strategic choices and its balanced consideration of stakeholder expectations. Sustained financial strength provides stakeholders with the confidence and information needed to make long-term decisions related to employment, investment and partnerships. Given the direct and indirect implications of these decisions for both internal and external stakeholders, economic performance is regarded as a material matter for the Bank.
Management Strategy	The Bank measures performance through the evaluation of annual goals and objectives established in line with the approved budget for the year under review. Quantitative assessments are presented through Key Performance Indicators (KPIs), as detailed on page 08. The Bank continues to place significant importance on this aspect, as it directly supports long-term sustainable growth. Accordingly, performance is reported in compliance with Sri Lanka Accounting Standards.
Evaluation Mechanism	Annual internal and external audits provide a comprehensive assessment of the Bank's performance. The assurance obtained through these audit processes ensures compliance with statutory and regulatory requirements and enables the Bank to evaluate its performance relative to peer and competitor benchmarks during the reporting year.

Procurement Practices

Disclosure 204

Reasons for Materiality	The Bank's procurement process is a critical element of its value chain and supports the maintenance of its reputation as a responsible and high-quality service provider. Through its procurement activities, the Bank also contributes indirectly to economic development by empowering and engaging an expanding network of local suppliers and business partners.
Management Strategy	The Bank views its suppliers as strategic partners and engages sourcing partners whose values and practices align with its ethical standards, operational requirements, organisational culture and commitment to social responsibility. Supplier engagement is guided by a Board-approved Procurement Policy that promotes transparency, ethical conduct, environmental responsibility, competitive pricing and value for money as core principles in supplier selection and management. Supplier registration is conducted biennially, providing opportunities for interested parties to register across twenty-six (26) supplier categories. Procurement activities are carried out through a competitive bidding process, open to all registered suppliers as well as suppliers nominated by internal stakeholders. To safeguard the integrity and credibility of the procurement process, the Bank's Procurement Committee implements corrective actions, including penalties or blacklisting, for suppliers that consistently fail to participate in quotation processes or do not meet agreed delivery timelines. As at the reporting date, approximately 95% of the Bank's supplier base comprises local businesses, supporting local economic development, while a limited number of international suppliers are engaged to meet specialised technology and technical service requirements not available locally.
Evaluation Mechanism	Supplier registration and all procurement-related activities are governed by the Bank's Board-approved Procurement Policy, which is reviewed annually to incorporate necessary updates in line with evolving market dynamics and industry best practices. Supplier evaluations are conducted by the Procurement Committee, taking into account both financial and technical aspects of submitted proposals to ensure fair, transparent and value-driven procurement decisions.

Materiality

Tax Disclosure 207, 207-1, 207-2

Reasons for Materiality	Taxation is a fundamental means through which corporates contribute to economic development and social wellbeing. As a responsible corporate citizen, the Bank is committed to full compliance with applicable tax legislation and to maintaining transparent, accurate and timely tax practices, thereby fulfilling its obligations to stakeholders and supporting national development.
Management Strategy	The Bank places significant emphasis on compliance with tax regulations and has designated a responsible managerial officer to ensure that its operations remain aligned with prevailing tax laws. This is particularly important given the volatility of the regulatory environment arising from unstable economic conditions. The Bank currently complies with key tax obligations, including: Income Tax at 30% on banking operations; 15% tax on income from foreign currency investments; Value Added Tax (VAT) at 18% on financial services and 18% on non-financial services; and the Social Security Contribution Levy at 2.5%. The Bank maintains a proactive approach to monitoring rapid changes in tax legislation and remains flexible in adapting its operations to meet evolving regulatory requirements, thereby reinforcing its commitment to sound governance and responsible corporate conduct.
Evaluation Mechanism	Internal and external audits are conducted to provide independent assurance of the Bank's compliance with prevailing tax laws and regulations. In addition, the Compliance Department performs regular reviews of applicable tax requirements to ensure that the Bank consistently upholds its role as a responsible corporate citizen.

Energy Disclosure 302

Reasons for Materiality	Energy is recognised as a critical resource for maintaining uninterrupted and efficient organisational performance. Its significance is high for both internal and external stakeholders, as any disruption in energy supply could impede the Bank's operations and prevent customers from accessing essential banking services in a timely manner.
Management Strategy	The Bank monitors and reviews electricity consumption on at least a quarterly basis through the Executive Committee on Sustainability and as part of the evaluation process for the Bank's Green Awards. An electrical engineer from the Premises Department has been appointed as Energy Manager and together with the Sustainability Unit, engages with the branch network to implement corrective and control measures where significant deviations are identified. During the year, multiple branch sites were assessed through internal energy audits. Performance is also reviewed at the regional level through meetings with Regional Heads and respective Sustainability Champions. Fuel consumption for generators and vehicles is currently reviewed annually by the Executive Committee on Sustainability. In addition, the Bank has invested in a fleet of electric vehicles (EVs) for its own operational use.
Evaluation Mechanism	Electricity usage is monitored throughout the year, with branches demonstrating the best performance being recognised through the Green Awards segment of the UB Heroes Awards.

Employment

Disclosure 401

Reasons for Materiality	The Bank recognises its employees as key assets, as their skills and experience are essential to delivering high-quality services to customers and supporting the Bank's overall performance. The Bank is committed to placing the right person in the right role, whether through internal promotion or external recruitment. Healthy competition is viewed as a driver of organisational growth and each business unit is responsible for fostering fair and equitable conditions to encourage performance and development.
Management Strategy	The Bank's annual headcount planning exercise, aligned with its strategic objectives, provides guidance on roles that need to be resourced either internally or externally. The Bank follows a structured recruitment process to offer career development opportunities to internal candidates through transfers and promotions, while also ensuring the selection of external candidates with the requisite knowledge, skills, and abilities. Robust policies and processes have been established to ensure that employment opportunities are awarded to the most suitable candidates, with ongoing efforts to ensure that all employees are fairly rewarded and compensated in line with industry standards. The Bank's HR Policy provides overarching guidance on these matters and the HR Department is responsible for the successful execution of HR initiatives. To maintain compliance and uphold fair competition, any irregularities or negative competitive practices are assessed through periodic audits conducted by the Compliance Department and Internal Audit Unit, ensuring adherence to the Bank's ethical and governance standards.
Evaluation Mechanism	Policies related to employee selection and prevention of anti-competitive practices are periodically reviewed by the Audit and Compliance teams, who provide recommendations to address any identified gaps. In addition, the Bank conducts regular employee engagement and remuneration surveys to assess employee sentiment and evaluate the Bank's positioning relative to the market.

Training and Education

Disclosure 404

Reasons for Materiality	The Bank is committed to equipping its employees with the skills and tools necessary to perform optimally in their roles, enabling them to deliver an exceptional service experience to customers. Accordingly, the Bank invests significantly in learning and development opportunities, ensuring employees can grow within the organisation. Employees are provided with regular training and updated knowledge on products, operational procedures and regulatory compliance to safeguard the Bank's interests and uphold good governance standards. Effective communication is also recognised as a key enabler, facilitating the timely and accurate flow of information across all levels of the organisation.
Management Strategy	The scope of the Bank's learning and development initiatives is reviewed annually to ensure alignment with both the Bank's strategic objectives and regulatory requirements. The annual training budget is optimised to deliver targeted staff development interventions throughout the year, including internal training programmes, participation in external forums and selected overseas exposures. The townhall meetings provide all employees with updates on both financial and non-financial aspects of the Bank, ensuring transparency and fostering engagement across the organisation.
Evaluation Mechanism	The effectiveness of internal training initiatives is assessed through immediate feedback collected from employees following each programmes. Additionally, the annual employee performance review process provides an opportunity for employees and line managers to identify specific training needs for the year. This information is used to inform decisions on employee nominations for development programmes and the design of targeted learning interventions. Overall employee perceptions of learning and development are further captured through the employee engagement survey. The HR Department ensures that all operational updates and relevant information are communicated to employees in a timely manner.

Materiality

Occupational Health and Safety

Disclosure 403

Reasons for Materiality	Ensuring a safe, healthy and supportive work environment is a top priority for the Bank. Robust systems and processes have been established across all locations, including the entire branch network, to provide employees with confidence in their safety and security, enabling them to perform effectively in their roles
Management Strategy	Security personnel, CCTV surveillance and access control systems are in place across all offices. The Bank conducts regular fire drills and selected employees are trained as fire wardens and in basic first aid skills. All permanent employees are provided with comprehensive coverage, including personal accident, critical illness and life insurance, as well as surgical and hospitalisation benefits and reimbursement of outpatient (OPD) expenses. The HR Department ensures the effective implementation of employee wellbeing initiatives, aligning grievance mechanisms and HR policies with industry best practices. Through these measures, the Bank maintains a holistic approach to employee health, safety, and wellbeing, reflecting its commitment to a responsible and supportive workplace environment.
Evaluation Mechanism	The effectiveness of fire drills is periodically assessed to ensure the Bank's readiness to protect employees during emergency situations. All security equipment is regularly inspected and maintained to ensure optimal functioning. Additionally, an annual review of the surgical and hospitalisation insurance service provider is conducted to ensure that employees continue to receive the highest quality healthcare benefits.

Diversity and Equal Opportunity

Disclosure 405

Reasons for Materiality	The Bank is dedicated to ensuring fair and equitable opportunities at all stages of employment and to fostering a diverse and inclusive workplace. By valuing differences in background, skills, and experience, the Bank creates a positive and collaborative work environment that enables employees to contribute meaningfully to organisational success.
Management Strategy	The Bank actively promotes equal opportunity and diversity throughout the employee life-cycle. Appropriate policies and processes are in place to ensure that employees can work in an environment where they feel safe, respected and valued. Mechanisms such as the Whistleblowing Policy and structured procedures for handling disciplinary matters and grievances help safeguard employees' interests and uphold a culture of fairness and accountability.
Evaluation Mechanism	Regular audits are conducted to ensure that these policies and processes are effectively implemented. Any reported incidents are thoroughly investigated internally, with the Bank maintaining a zero-tolerance approach toward discrimination. Management ensures that appropriate and timely action is taken in all cases, upholding fairness, accountability and respect for employees at all times.

Non-discrimination/Child Labour and Forced or Compulsory Labour

Disclosure 406/408/409

Reasons for Materiality	The Bank has a zero-tolerance policy toward any form of discrimination and actively fosters a culture of diversity and equality. Employees are encouraged to respect and value each other's differences, recognising that a non-discriminatory work environment directly influences the quality of service delivered to customers. The Bank is strictly opposed to child labour, forced labour and any form of compulsory labour, reinforcing its commitment to maintaining a safe, inclusive and discrimination-free corporate platform.
Management Strategy	As noted previously, the Bank has established comprehensive policies and procedures to manage employee grievances and disciplinary matters effectively.
Evaluation Mechanism	All reported issues are thoroughly investigated by the Audit teams and all related policies are periodically reviewed to ensure they remain current and effectively support the Bank's commitment to preventing any form of discrimination.

Marketing and Labeling /Customer Privacy

Disclosure 417/418

Reasons for Materiality	As a rapidly expanding commercial bank in Sri Lanka, operating through a network of 56 branches and serving a large customer base each day, the Bank recognises customer privacy and data protection as matters of material importance. In accordance with the Banking Act, all licensed banks are required to preserve the confidentiality of both current and former customers, an obligation that has become increasingly critical in a digitally enabled banking environment. Unauthorised disclosure of customer information can adversely affect external stakeholders, erode trust and negatively impact the Bank's corporate reputation. Transparent communication regarding the nature of services offered is essential to strengthen long-term customer relationships. Proactive measures to prevent privacy breaches further reinforce customer confidence and trust in the Bank.
Management Strategy	All Bank staff are responsible for ensuring that the Bank's operations comply with the Banking Act and directives issued by the Central Bank. In addition, the Bank has implemented robust processes and systems to safeguard customer confidentiality against potential internal and external threats.
Evaluation Mechanism	Reviews conducted by the Internal Audit, Compliance and Operational Risk Management teams provide continuous evaluation of the Bank's processes and systems, strengthening the effectiveness of the customer privacy and data protection framework.

Anti-competitive Behavior

Disclosure 206

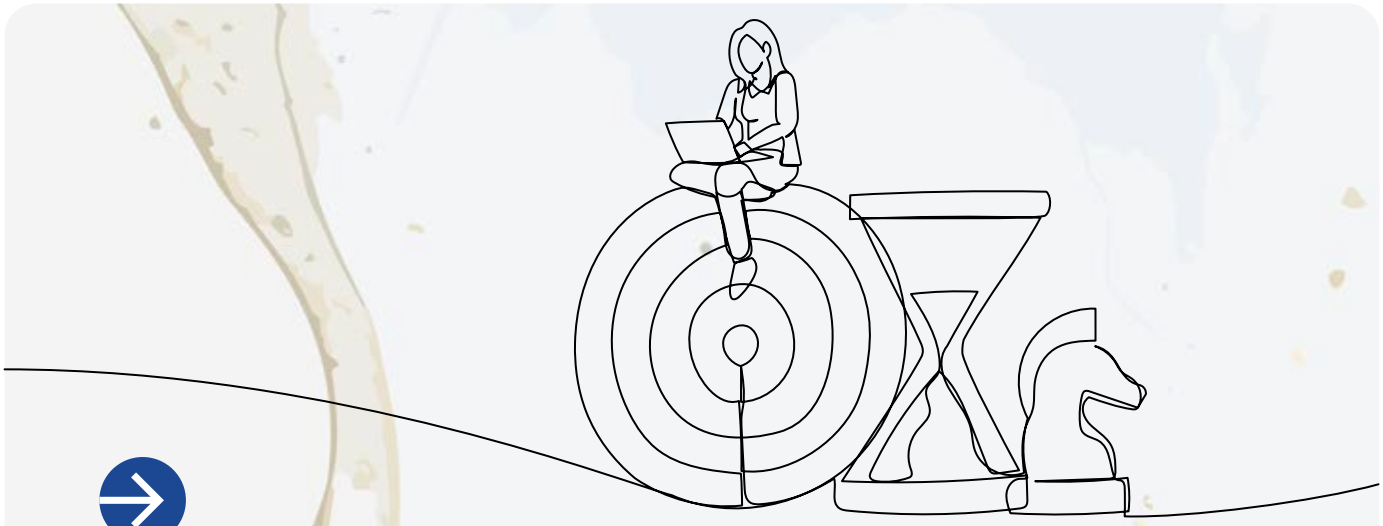
Reasons for Materiality	In the context of increasing competition within the financial sector and pressures towards financial sector consolidation, financial institutions could be tempted to gain an unfair advantage by loose implementation of environmental and social due diligence. This could lead to short-termism and have detrimental impacts in the long term on natural capital and the social and relationship capital.
Management Strategy	Union Bank is a founding signatory to the Sri Lanka Banks' Association's Sustainable Banking Initiative (SLBA SBI), wherein the bank has committed to collaborate with the industry and cooperate in upholding 11 sustainable banking principles. Bank hosted meetings of SLBA SBI during the year to promote collaboration and negate anti-competitive behaviour. Furthermore, bank also raises awareness among employees through internal communications and training on ethical behaviour, customer protection and compliance requirements, which reinforces bank's efforts to negate anti-competitive behaviour.
Evaluation Mechanism	Bank's Audit and Compliance functions monitor and review any incidents of unethical, anti-competitive behaviour, especially contravention of industry guidance and regulations issued by CBSL and SLBA and inform the Board and Management on corrective action.

Labor/Management Relations

Disclosure 402

Reasons for Materiality	Positive employee relations is critical for the organization to achieve its goals and drive its strategy, especially in an era of disruptions and external shocks, where understanding between the employer and employees becomes critical. This becomes even more critical for Union Bank as the bank actively pursues its digital and lean transformation approach.
Management Strategy	Bank continues to engage employees through physical and virtual communications on the bank's strategy. During the year, CEO and members of Corporate Management engaged with employees both at Head Office and through town hall meetings at its regional offices to reach common understanding among employees on bank's transformation efforts. Open channels of communication between executive management and employees as well as opportunities to build rapport through informal events organized by bank's employee engagement function and Sports Club (UB Heroes Awards, annual dinner dance, talent show, etc) serve to enhance relations with employees.
Evaluation Mechanism	Bank implements employee satisfaction / internal customer satisfaction surveys (C-Sat) to obtain feedback from employees. The results of these surveys are reviewed at the Leadership Committee and Management Committee to enhance employee relations.

Our Strategy



Overview

Since 2024, Union Bank's strategic direction has been shaped by a conscious decision to elevate itself to a new phase of sustainable value creation. This strategy is rooted in the disciplined growth of the loan book and a deliberate shift towards higher and more diversified contributions from the Retail and SME segments, strengthening profitability and asset quality whilst enhancing the resilience of the Bank's business model.

The initiatives implemented in 2024 began to yield measurable outcomes in 2025, enabling the Bank to progress in its key strategic objectives, of growing its Retail and SME segments and expanding its digital footprint, to emerge as one of the fastest-growing banks during the year. This performance reflects effective capital allocation, improved risk-adjusted returns and deeper customer engagement. The momentum generated during the year has strengthened the Bank's capacity to create enduring value for stakeholders in the periods ahead.

Strategic Strides in 2025

- Loan book grew by 34% to LKR 118 Bn in 2025, from LKR 88 Bn in 2024
- SME portfolio grew by 41%
- Leasing and vehicle loan portfolio expanded by 843%
- Digital transactions accounted for 71% of all customer transactions in 2025 up from 65% in 2024

At the end of 2024, the Bank articulated eight strategic imperatives to guide execution in 2025. Progress against these imperatives is summarised below and discussed in greater detail within the Capitals Reports and Business Reviews that follow. Reflecting the progress achieved and the Bank's commitment to focused execution, the strategic framework has been updated to nine core imperatives for year 2026, ensuring stronger alignment between ESG strategy, resource allocation, risk management and long-term value creation.

Strategic Imperatives for 2025	Progress during 2025	SDG Impacted
Brand Presence	• Bank's inclusion to the Sri Lanka's Top 100 Most Valuable Brands by Brand Finance, is an endorsement of its Brand strength (marketing investment, stakeholder equity); financial performance and consumer perception and trust • Overall rebranding was carried out across the Bank including branch network in alignment with the new logo brand transformation • Increased presence in social media	
Digital Channel Growth	• Upgrades to the UBgo mobile app enabled the app to meet identified customer requirements • Digital adoption accelerated significantly during 2025, with 71% of customer transactions completed through the digital channels, up from 65% at the start of the year • Enhanced the integrated offering for corporate clients through Biz Direct and of Biz Direct Lite for SME's • Replaced 11 ATM's with CRM's	
Product Development	• Launched the "Power H.E.R." proposition for women entrepreneurs • Launched "Junior Elite" account for children of High-Net-Worth Individuals • Launched a new short-term Gold Loan product • Launched "Turbo Draft" for vehicle leasing • Launched Home Loan Plus – Sri Lanka's first 100% funding solution for premium properties with no upfront capital requirement	
Value Added Services and Collaborations	• Expanded the Agency banking network, to enhance customer convenience • Launched "Trade Connect" a one-stop centre for all trade services under one roof • Entered into 5 new MOUs with educational institutions and high-end property developers to provide mutually beneficial financial solutions for individuals seeking to purchase a home or pursue education locally or overseas	

Our Strategy

Strategic Imperatives for 2025	Progress during 2025	SDG Impacted
People Development	• Ensured that our workforce capabilities were aligned with the Bank's strategic priorities and long-term growth aspirations. Accordingly, people were deployed to Retail and SME segments, with targeted strengthening of roles in business development, credit underwriting, recovery and deposit mobilisation • Introduced a revised branch operating structure which contributed significantly to business growth during the year • Introduced performance-based incentives for top performers, fostering a results-driven culture by shifting from a predominantly fixed HR cost structure to a more variable, outcome-oriented model. • Introduced a Learning Management System (LMS) and fostered a learning culture • Accelerated career progression • Increased investments in training & development by 19%	
Automation & AI	• Embarked on implementing and automating workflows through a BPR initiative • Trained staff in the use of AI for day-to-day operations and secured enterprise Copilot licences • Centralised and automated MIS that streamlined report generation improved reporting efficiency and democratised access to data	
Process Re-Engineering	• A Business Process Re-Engineering Unit was established to drive automation, support digitalisation and enable cultural transformation in support of sustainable growth • Conducted time & motion studies as an initial step towards process re-engineering aimed at enhancing customer value creation, optimising resource utilisation and bolstering operational resilience. • Several workflows were automated, improving turnaround times and achieving a reduction in paper consumption of 35%	
Infrastructure & IT Upgrades	• Initiated the implementation of a state-of-the-art Card Management System in collaboration with BPC (Banking Technologies), which will significantly enhance customer experience by enabling faster processing, innovative product features and greater flexibility • The Bank continued to strengthen its information security framework during the year. Building on its achievement as the first Sri Lankan bank to obtain PCI-DSS 4.0 certification in 2024, the Bank further enhanced data security and preparedness for potential incidents in 2025 by aligning with ISO 27035 (Information Security Incident Management), ISO 22301 (Business Continuity Management) and ISO 20000 (IT Service Management)	

Strategic Outlook

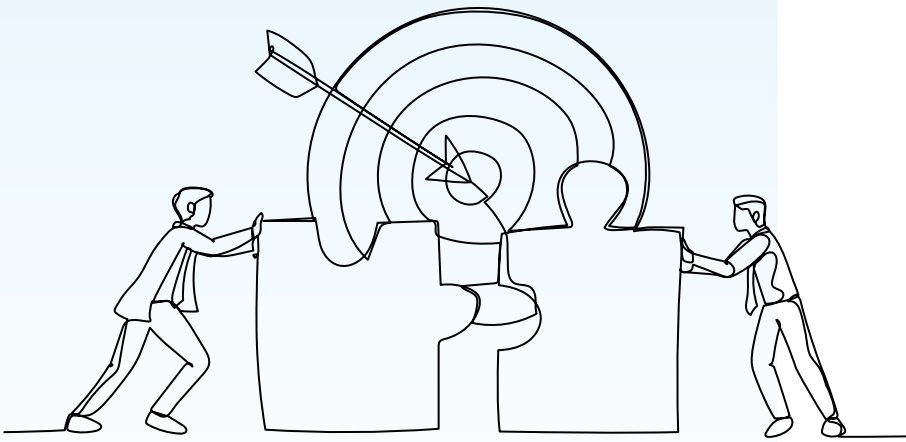
Union Bank expects the future of banking to be fundamentally different from both its present and past. It will be defined by digital-native customers seeking solutions on enhanced digital platforms and services. We will continue to invest decisively to position the Bank for this evolving landscape, ensuring customers benefit from the latest innovations and conveniences in banking.

To this end, the Bank will sustain the momentum of its digital transformation across both internal operations and customer-facing services through 2026 and beyond, while progressively realising tangible returns on these investments. The continued adoption of digital platforms and artificial intelligence is expected to enhance resource efficiency, strengthen operational resilience, transform organisational culture and elevate customer value propositions.

Complementing its digital agenda, the Bank will advance its growth strategy by expanding the Retail and SME segments, shifting from a product-centric approach to one focused on tailored customer solutions. The continued expansion of products, solutions, services and delivery channels will foster deeper client engagement and reinforce the Bank's commitment to sustainable growth in these segments.

Key Strategic Imperatives for 2026-2028

- Embed a digital-first approach across internal operations and external customer engagement
- Enhance service and product quality to deliver consistent and superior customer experiences
- Bolster and sustain balance sheet growth, underpinned by prudent and disciplined risk management
- Increase the contribution of the Retail and SME segment to 65%–70%
- Position the SME segment as a key growth engine through deeper customer engagement and expanded solution capabilities
- Corporate banking to continue to be an anchor proposition delivering structured solutions for key customers
- Drive digital adoption across the entire value chain as a critical enabler of sustainable profitability, enhanced customer value, improved resource efficiency and operational resilience
- Strengthen and upskill staff to ensure readiness and adaptability in a digital-first banking environment
- Expand the reach and impact of social and environmental sustainability initiatives, with UBSSE positioned as the Bank's Flagship Social Sustainability Programme



Digital first

Through cutting-edge technology and intuitive digital platforms, we are redefining banking experiences—making every interaction faster, smarter, and more seamless.

Path to Sustainable Value Creation



Overview

We were proud be one of the fastest-growing banks in 2025. Yet we know that sustaining this momentum and growing even stronger requires more than financial performance. True progress requires that we grow together, with our people and our communities whilst protecting our environment.

Union Bank is guided by a clear and compelling purpose to *Transform Lives*. We have always believed that banking is far more than a series of financial transactions, it is a catalyst for sustainable value creation and growth.

The past two years mark the beginning of our deliberate journey towards sustainability, a trajectory that started with the establishment of a formalised structure and strengthened institutional capacity ensuring that growth is responsible, inclusive, and future-focused.

Guided by our commitment to ensure that Union Bank remains resilient, agile, and future-ready within an increasingly dynamic operating environment, our Environmental, Social and Governance (ESG) focus has been firmly anchored in our digitally-driven growth strategy. This strategy is purposefully designed to create triple-bottom-line value for People, Planet, and Profit, ensuring that our progress benefits not only the Bank, but also the communities and environment we serve.

True to our tagline, Transforming Lives, Union Bank is now extending this purpose even further. We aim to transform lives beyond financial solutions, creating win-win opportunities that uplift individuals, strengthen communities, and support a more sustainable future. Our efforts encompass climate action and long-term empowerment through financial literacy, entrepreneurship support, and inclusive access to growth opportunities.

Path to Sustainable Value Creation

Governance on Sustainability & Institutional Framework

In mid-2024, the Bank established a dedicated Sustainability Unit and an Executive Committee on Sustainability to drive the integration of ESG governance principles across the Bank's business ecosystem whilst proactively managing Union Bank's contribution to the achievement of Sustainable Development Goals (SDGs). In September 2024, the Bank's Board of Directors approved the Integrated Sustainability Policy that had been formulated by the management following extensive stakeholder engagement, which identified key focus areas based on both impact and financial materiality. During the year under review, the Bank continued to implement the commitments outlined in its Sustainability Policy including the operationalisation of the Sustainability Governance framework.

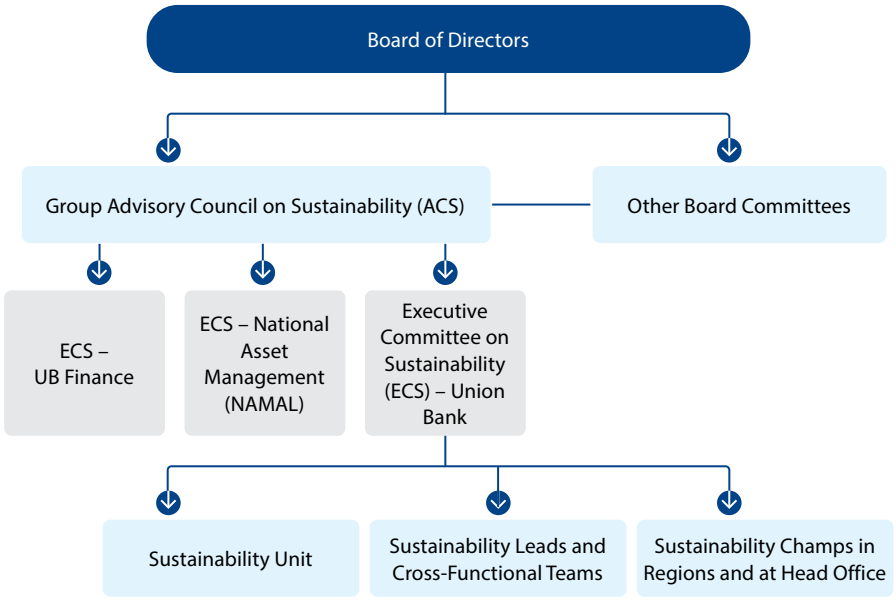
Disclosure 2-23, 2-24

Board Approved Integrated Sustainability/ ESG Policy of Union Bank of Colombo PLC can be accessed through bank's website at: *https://www.unionb.com/compliance/*

The Integrated Sustainability Policy describes in detail, the bank's commitments and approach in contributing to UN Sustainable Development Goals (SDGs), Paris Agreement on Climate Change and other global public policy. This ESG Policy also addresses key material concerns in relation to our stakeholders including shareholders/investors, customers, employees, Government, Civil Society and development partners.

The policy is communicated to all stakeholder through digital channels including on bank's website and employees are made aware of the policy at the induction programmes and regular capacity building programmes.

Sustainability Governance Framework of Union Bank Group



Disclosure 2-2

Reporting Boundary

This Annual Report provides Consolidated Financial Statements of the Group that include the performance of the bank as well as the performance of its subsidiaries - UB Finance and National Asset Management Limited (NAMAL). GRI Standards disclosures in this report, however, pertain to the information of the Bank, since the Bank accounts for just over 93% of the Balance Sheet of the Group.

In preparation of alignment to the SLFRS S1 and S2 standards, the Group has initiated efforts since Q4 2024 to coordinate Governance and Strategy across the Group with regards to the Sustainability Performance. Therefore, information in relation to the Group is confined to disclosures made on progress on SLFRS S1 and S2 standards and does not extend to GRI disclosures in this report.

Disclosure 2-14

Group Advisory Council on Sustainability

In December 2025, the Bank formed a Group Advisory Council on Sustainability, comprising Board level representation from the Bank and its two subsidiaries (UB Finance and NAMAL). Dr. Dharmasri Kumaratunge, Independent, Non-Executive Director of Union Bank has been appointed as the Chair of the Group Advisory Council that will begin formal convenings on a quarterly basis from the first quarter of 2026. This Council strengthens alignment and integration across the three institutions, enabling a unified and coordinated approach to sustainability within the Group. It also facilitates access to external expertise when required, particularly in specialised areas such as climate action, social entrepreneurship, gender equity, and the digital economy.

During the year, the Advisory Council reached consensus with the Bank's two subsidiaries on the Group's overall approach to sustainability including the identification of key social and climate-related risks and opportunities the Group would face and the collaborative actions

required to address them. Notably, both subsidiaries, one of which is a listed entity, have aligned with the Group's broader sustainability strategic focus. This includes commitments to establish baseline data for the Group's greenhouse gas (GHG) footprint and assess financed portfolio alignment with the Sri Lanka Green Finance Taxonomy. Group's commitment also extends to conformance with Environmental and Social Management Systems (ESMS) and safeguard requirements.

Composition of Group Advisory Council on Sustainability

Permanent invitees of the Advisory Council:

1. Non-Executive Director, Union Bank (Chair of the Advisory Council)
2. Director/CEO, Union Bank
3. Director/CEO, UB Finance
4. CEO, National Asset Management (NAMAL)
5. Chief Financial Officer, Union Bank
6. Chief People and Transformation Officer, Union Bank
7. Chief Information Officer, Union Bank
8. Head of Sustainability, Union Bank
9. Company Secretary, Union Bank (Secretary to the Advisory Council)

Key Functions of Group Advisory Council on Sustainability

- Review and recommend improvements to Policies and Governance Frameworks in relation to Sustainability
- Identify Sustainability-related risks (including climate, nature, social inequity) and opportunities for the Group of Companies and formulate an integrated sustainability strategy for the Group
- Support the development of integrated sustainable finance solutions/value propositions across the Group's business lines
- Define risk appetite for the Group on Environmental, Social and Governance (ESG) risks including on climate risks and review the effectiveness of the risk management framework in relation to ESG related risks
- Review Group's compliance/ conformance including on regulatory requirements and covenants of investment agreements in relation to sustainability performance
- Review the needs of Group Companies in relation to awareness and capacity building on sustainability including for Board Subcommittees of the Group and Executive Management Committees and facilitate capacity building programmes.

Disclosure 2-17

Other Board Committees at Union Bank

In addition to the direct oversight provided by the Advisory Council on the Bank's sustainability performance, other Board Committees are also expected to consider ESG aspects in their review and decision-making processes. This includes the role of the Board Integrated Risk Management Committee in reviewing and managing the Bank's environmental and social risk exposure at a portfolio level, and the role of the Board Credit Committee in assessing ESG risks and compliance at the credit facility level during credit approvals.

The Board Human Resources and Remuneration Committee will review the integration of Sustainability and ESG considerations into the Bank's performance management systems. The Board Audit Committee will independently assess the effectiveness of the Bank's ESG implementation and report on its adequacy and performance.

Together, these Board Committees provide essential oversight and guidance, supporting and strengthening the work of the management committees in advancing the Bank's sustainability agenda.

Chairman of the Bank Mr. Dinesh Weerakkody, Chair of Board Strategic Planning Committee Mr. Mahesh Nanayakkara and Director/CEO Mr. Dilshan Rodrigo participated in the Directors Programme on Sustainable Finance and Climate Action at the "Mobilising Together" Sustainable Finance Conference organised jointly by the Sri Lanka Banks' Association's Sustainable Banking Initiative, The Ceylon Chamber of Commerce, FMO, DAI and Joint Impact Model Foundation in October 2025. This programme provided insights to the Bank's top leadership on expectations of Central Bank of Sri Lanka on mobilisation on Sustainable Finance and in relation to international, regional and national best practices in terms of Board Leadership on Sustainability and Climate Action. The conference also featured a presentation by Hayleys PLC on the investment needs of the real sector for their sustainability transitions and the sustainable finance opportunities that this presents for banks.

Executive Committee on Sustainability at Union Bank and ESG Integration Pillars

Led by the CEO, the Executive Committee on Sustainability at Union Bank comprises 11 senior leaders, all heads of their respective divisions, bringing diverse experience, relevant expertise, and strategic decision-making authority. This leadership body provides direction and oversight for the Bank's ESG agenda, ensuring that sustainability considerations are embedded into key operations and strategic initiatives across six key ESG integration pillars.

Union Bank's approach to ESG integration is structured around these strategic pillars, each with clearly defined leadership accountability to ensure effective implementation across the organisation. These pillars reflect the Bank's commitment to embedding sustainability into strategy, operations, risk management, and culture, while driving measurable social, environmental, and financial impact. The table below outlines the ESG integration pillars and the respective leads responsible for overseeing their implementation and alignment with the Bank's sustainability objectives:

Path to Sustainable Value Creation

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

In addition to the ESG Integration Leads, the Head of Branch Network Management is responsible for mobilising and engaging the branch network to inform Executive Committee decisions and operationalise sustainability initiatives. The Head of Sustainability serves as Secretary to the Executive Committee on Sustainability.

The Executive Committee on Sustainability at Union Bank met six times during the year to review progress on the six ESG pillars and four strategic focuses on sustainability and sustainable finance (climate action, gender strategy and women financing, social entrepreneurship and advancing digital economy transition). A material change in governance arrangement was the transfer of policy ownership of the bank's Environmental and Social Risk Management System (ESMS) Policy from Risk Department to Sustainability Unit in August 2025, due to constraints in internal capacity with specialist knowledge and the need to fast track operationalisation of the ESMS. Risk function of the bank will still be carrying out portfolio quality monitoring in relation to ESG risks and keeping the Board apprised on ESG risk management status.

Sustainability Unit at Union Bank

The Bank's Sustainability Unit supports the Executive Committee in integrating a sustainability lens across all activities, coordinating policy commitments and strategies with the Advisory Council on Sustainability, Sustainability Leads, Cross-Functional Teams, and Regional Sustainability Champions to ensure alignment and effective execution across the organisation.

A core role of the Sustainability Unit is to drive awareness, capacity building, and the coordinated implementation of sustainability initiatives throughout the Bank. Union Bank's approach is not to treat sustainability as a peripheral function, but to embed it into the corporate strategy and mainstream it across all business functions. The central Sustainability Unit serves as a technical and coordination hub, supporting teams with expertise and guidance.

To strengthen leadership and accountability, the Bank appointed a dedicated Head of Sustainability in May 2024, reporting to senior management. He possesses over 15 years of experience in ESG and sustainability and serves on climate action and sustainable finance related committees of the Central Bank of Sri Lanka (CBSL), the Sri Lanka Banks' Association, and the Ceylon Chamber of Commerce. This role is responsible for coordinating Bank's sustainability strategy and ESG implementation across business and support functions and ensuring alignment with regulatory expectations. The Head of Sustainability reports to, also acts as a central point of coordination between management and external stakeholders, while supporting the development of policies, targets, and disclosures.



Union Bank actively participated at the Launch of the National Climate Finance Strategy

Sustainability Champions

The year under review also saw the launch of a dedicated group of employees identified as Sustainability Champs. Representing both the entire branch network and the Head Office, the Regional Sustainability Teams consist of two champions from each zone, one focusing on credit and sustainable finance, and the other on the Bank's own operations. The Teams are led by the respective Regional Heads under the aegis of the Head of Branch Network Management, who represents the branch network on the Executive Committee on Sustainability. The Central Sustainability Unit works closely with the Regional Head and Regional Sustainability Champs to ensure that the Bank's integrated sustainability policy and strategy are effectively implemented across the branch network.

As ambassadors of sustainability within the Bank, the Regional Sustainability Champions help translate our commitments into concrete action at every level and location. Their involvement paves the way for deeper integration of ESG principles across operations, enabling the Bank to advance more effectively toward its sustainability objectives and targets.

During the year, Union Bank engaged in continuous awareness building among staff, along with ongoing knowledge sharing on climate challenges and the importance of action at both individual and organisational levels.

Disclosure 2-25

Grievance Redress Mechanism

Customer grievances are addressed through the Bank's Customer Protection Unit, while employee grievances are managed by the Human Resources Department in line with established procedures.

Environmental and social grievances—such as concerns raised by communities affected by Bank-financed projects—received through branch touchpoints, the 24-hour Contact Centre, or web and email channels are escalated to the Head of Sustainability and the Head of Audit. The Audit Department conducts fact-finding in consultation with the Central Sustainability Unit and recommends remedial actions for CEO's approval.

The complainant is kept informed throughout the process, and corrective measures are implemented to prevent recurrence.

Disclosure 2-24

Sustainability Strategy

Whilst UB stays broadly committed to the United Nations' 17 Sustainable Development Goals (SDG's), we have prioritised eight goals that are most relevant to our operations and areas of influence. These priorities reflect the SDGs where the Bank can create the greatest direct impact through our value creation model. They are outlined below under the Bank's relevant sustainability priorities.



Driven by our commitment to ensure that Union Bank remains resilient, agile, and future-ready in a dynamic operating environment, the bank strives to proactively advance key focuses/lenses on sustainability across its spheres of influence, namely: (1) climate action; (2) women's financing and gender strategy; (3) social entrepreneurship; and (4) digital economy transition. These sustainability lenses/focus areas are integrated into the business through six ESG integration pillars: (1) Governance and Strategy; (2) Inclusive and Sustainable Finance; (3) Environmental & Social Risk Management System (ESMS); (4) People and Transformation; (5) Sustainability Branding; and (6) ESG Data, Analytics, Sustainability Reporting, and Impact Investment Sourcing.

While the Bank's core business strategies inherently influence social and environmental sustainability, additional targeted initiatives have been identified to specifically advance social and environmental value creation. The outcomes arising from these initiatives are summarised below and are discussed in greater detail within the Capitals Reports and Business Reviews that follow.



Ideas, collaboration and commitment - Sustainability Champions of Union Bank

Path to Sustainable Value Creation

SLFRS S1: Sustainability Related Risks & Opportunities

Key Risks/ Opportunities	National/ Macroeconomic context in 2025	Opportunities and Risks for the Bank	
Women Financing 	"IMF and World Bank assessments indicate that Sri Lanka could increase long-term GDP by up to 20% by closing the gender gap, with women entrepreneurs expected to play a significant role in driving this growth. Currently, women own only 16% of MSMEs, approximately 165,500 enterprises—and face an estimated financing gap of USD 700 Mn (LKR 208 Bn). In parallel, following significant outward migration since the 2022 economic crisis, Sri Lanka has an opportunity to better leverage domestic female talent to address skills shortages. Female labour force participation stood at 31.3% in 2023, among the lowest in South Asia, underscoring both the challenge and the economic potential of greater inclusion.	As of 31st December 2023, Union Bank served 1,529 women-owned SME accounts, of which 653 had active loans, representing 9% of the Bank's total lending, according to an EY portfolio analysis. Development partners, including ADB and IFC, have encouraged the Bank to tap into the commercial potential of financing women entrepreneurs. ADB credit lines, for instance, require at least 10% of SME lending allocations to be directed to women-owned businesses. In response, Union Bank launched its women entrepreneur finance proposition, "PowerHER," in March 2025, following a 2023 market study by EY. Given the national context and growing focus on women-led enterprises, the Bank sees an opportunity to increase women entrepreneur lending from 9% to at least 20% of its SME loan portfolio by 2030.	
Social Entrepreneurship 	According to a UNESCAP study, Sri Lanka is home to approximately 15,000 social enterprises. While many operate at micro-scale, there are also mid-size SMEs and cooperatives contributing to the broader social enterprise ecosystem. In 2024, the Government of Sri Lanka launched the Strategy to Promote Inclusive and Sustainable Businesses to Achieve the SDGs, highlighting mid-size organisations such as Selyn, ODoc, Kantala, Tili, and Tracified, and outlining a national action plan to scale the sector. SMEs form the backbone of Sri Lanka's economy, comprising over 75% of all businesses, providing more than 45% of employment, and contributing around 52% of GDP (Ministry of Industry). Through the Action Plan to Develop Inclusive and Sustainable Business Capacities, the GoSL aims to support SMEs and cooperatives in adopting social enterprise models, strengthening both economic and social impact.	With CG Capital's acquisition of a controlling stake in Union Bank of Colombo PLC, promoting social enterprise in Sri Lanka has become a key investor focus. Building on the success of Nabil Bank in Nepal—where its School of Social Entrepreneurship, established in 2021 in partnership with Tribhuvan University, had trained 820 individuals, supported 117 new enterprises, and created 1,200 jobs by the end of 2023—Union Bank was encouraged to launch a similar initiative in Sri Lanka. The Union Bank School of Social Entrepreneurship was launched in Q1 2024 and, by Q3 2024, had partnered with the University of Moratuwa and the National Innovation Agency to scale the National Entrepreneurship Development Programme. This initiative aligns with the Government of Sri Lanka's broader focus on promoting inclusive and sustainable business. By leveraging these social enterprises, particularly those in the 'missing middle', Union Bank can unlock significant commercial opportunities while supporting the growth of socially impactful businesses.	
Digital Economy & Digital Finance 	The Government of Sri Lanka has set an ambition to unlock USD 15 Bn in digital economic value by 2030. In 2024, it launched the National Digital Strategy 2030, focusing on areas such as digital financial services, cybersecurity, sectoral and MSME digitalisation, infrastructure and connectivity, as well as skills, literacy, and job creation to achieve this target. Significant opportunities are expected from unicorn start-ups and the entry of hyperscalers investing in data centers, positioning Sri Lanka as an emerging AI hub for South Asia.	Digitally-driven business growth remained UB's key strategic driver, enhancing value creation for customers while simultaneously supporting the greening of our operational footprint. Bank's digital and lean transformation could bring significant improvements to Cost to Income Ratio of the bank, whilst project finance for investments such as data centers and financing for growth stage tech start-ups could significantly contribute to asset book growth of the UB Group. Establishment of a dedicated digital pillar at the Bank signifies the Bank's cognisance of the significant financial impact that digital transformation including AI adoption could have on the business. With enhanced regulations such as Personal Data Protection Act, non-compliances could also have a significant financial risk to the bank with regulatory fines and litigation. This could in turn translate to significant reputational risk and financial impact. In this context, the importance of online transaction safety and customer data security has become more critical than ever, with expectations and risks intensifying each day. Having become the first Sri Lankan bank to achieve PCI-DSS 4.0 certification in 2024 and successfully renewing it in 2025; the Bank further strengthened its security posture and operational resilience by adhering to additional global standards that complement ISO 27001. These include ISO 22301, ISO 20035 and ISO 20000, collectively reinforcing our commitment to secure, reliable, and future-ready digital operations.	

	Mid Term Targets	Strategic Actions
	By the end of year 2030, increase the share of women entrepreneur financing in the SME loan book from 9% (as at end 2023) to 20% (in terms of value of loan book).	1. Conduct awareness raising and capacity building to enhance sensitivity and capability within the bank to offer client-centric solutions for women clients. a. During FY 2025, the bank conducted several engagements including a focused discussion between the Bank's management team and external expert consultants (Access Advisory and Deloitte) to finetune Bank's strategy and data framework on women financing with the technical support extended by ADB. b. In September 2025, an interactive dialogue was organised for management and functional staff to interact with women entrepreneurs (Ms. Selyna Peiris from Selyn and FemmeCare; Ms. Sashika De Silva from Glitz Park and Dr. Gayani De Alwis from WCIC) to identify how the bank could better configure our engagements to cater to the nuanced needs of women entrepreneurs. 2. Engage through the branch network and through partner network (eg: WCIC, Chrysalis, etc) to identify mid-sized WSMEs that align with PowerHER women entrepreneur finance proposition and onboard at least 60 new clients each year from 2025 till 2030, whilst enhancing the customer lifetime value from each WSME and capturing higher wallet share of the women directors and management through focused relationship management efforts.
	By the end of 2030, support the scaling of 25 social enterprises, with case studies demonstrating how these enterprises have successfully overcome the 'missing middle' challenge through assistance from the UB School of Social Entrepreneurship.	1. Continue and build on the partnership with University of Moratuwa and National Innovation Agency on UB School of Social Entrepreneurship in FY2026 to develop entrepreneurs and support creation of new enterprises 2. Identify and engage more partners and programmes to conduct capacity building and engagement for 'missing middle' enterprises to widen the scope of the UBSSE initiative from FY2026 onwards 3. Explore opportunities for funding social entrepreneurs identified through UBSSE with most viable business ideas in partnership with subsidiaries (UB Finance and NAMAL) The Bank will focus on enhancing awareness to enable more customers and community to take advantage of UB School of Social Entrepreneurship.
	By end of 2030, 85% of the Bank's transactions to be through digital channels and 75% of account opening to be through digital channels.	1. Installation of CRMs at all branches of the Bank 2. Infrastructure upgrades and provision of equipment to support digital transition of automation of processes and services. 3. Installation of Smart Teller Machines (STM) and redeployment of staff to other areas 4. Awareness and engagement activities

Path to Sustainable Value Creation

SLFRS S2: Climate Related Risks & Opportunities

Disclosure 201-2

Risk / Opportunity	National Macroeconomic Context in Sri Lanka	Potential Financial Impact on Union Bank (Cashflows, P&L and Balance Sheet)	
1. Climate Risk Management			
1a. Climate Risk Management of Financed Portfolio 	Loss and damage resulting from the recent Cyclone Ditwah are yet to be fully assessed. World Bank's Global Rapid Post-Disaster Damage Estimation (GRADE) Report notes that direct damage from Cyclone Ditwah is approx USD4.1bn (4% of Sri Lanka's 2024 GDP) whilst ILO brief in December 2025 estimates that around USD16bn is at risk due to the disaster (16% of GDP). In addition, other climate-related loss and damage such as the effects of prolonged heatwaves on labour productivity, increased energy costs, and reduced agricultural output are likely to further exacerbate GDP losses associated with climate change. According to the World Bank's Country Climate and Development Report, Sri Lanka could experience average annual GDP losses of approximately 3.3% to 3.5% by mid-century due to physical climate risks. Furthermore, as international trade and investment regimes increasingly integrate climate considerations, significant transition risks may emerge for key economic sectors such as plantations, apparel, and transport and logistics (especially maritime shipping) sectors, not withstanding recent global policy rollbacks.	At present, the Bank has not completed a comprehensive stress test on the impact of climate-related risks on its portfolio and operations. As a result, the precise financial implications such as increases in Expected Credit Losses, reductions in collateral values, and impacts on cash flows, profitability, and the balance sheet cannot yet be fully quantified. Nevertheless, the scale of devastation caused by recent climate events, including Cyclone Ditwah, underscores the potential for material losses to the financial sector and highlights the need for enhanced climate adaptation, resilience-building, and effective risk-transfer mechanisms such as insurance. To address these gaps, Union Bank has secured the support of the UN V20 Sustainable Insurance Facility (SIF) and the Asian Development Bank to engage expert consultants from Blue Marble Microfinance Advisory Services. A climate risk assessment of the Bank's SME portfolio, considered particularly vulnerable due to comparatively lower preparedness than larger corporates, is scheduled for completion in Q1 2026. This assessment, together with the Bank's IFRS 9 analysis of the impacts arising from Cyclone Ditwah, will enable a more robust evaluation of medium-term climate-related financial risks. This climate risk assessment workstream is also expected to enhance the Bank's access to climate and disaster risk financing through global climate funds. Regulatory expectations are also evolving. The Central Bank of Sri Lanka (CBSL), through Banking Act Directions No. 05 of 2022, has required banks to integrate ESG risks, including climate risks, into Pillar II capital adequacy assessments. Proactive and systematic management of climate risk therefore has the potential not only to strengthen resilience, but also to enhance the Bank's Risk-Adjusted Return on Capital (RAROC).	
b. Climate Risk Management and Decarbonisation of Internal operations 			

	Mid-Term Targets	Strategic Actions
	By the end of 2026, the Bank aims to support 20% of its Corporate and SME clients in developing Climate- and Nature-related Risk Management, Resilience, and Adaptation Plans. This coverage will be expanded to 50% of the portfolio by 2028 and 80% by 2030. Targets for financed portfolio exposure will be defined following further assessment and alignment with Group-level sustainability objectives.	Conduct a climate risk assessment of the SME portfolio in Q1 2026 to identify exposures with the highest customer lifetime value at risk, and prioritise SME clients for targeted advisory support on the development of Adaptation and Resilience Plans, with support from the Asian Development Bank (ADB) and the UN V20 Sustainable Insurance Facility (SIF). Complete a financed emissions assessment covering priority asset classes using the PCAF methodology and JIM Foundation tools, and identify high-emitting sectors and portfolio companies for transition finance engagement, with defined priority given to export-oriented clients and those exposed to policy and regulatory developments in key markets such as the EU. **Physical Risks and Adaptation Planning** Identify and assess physical operations exposed to climate-related hazards (e.g., floods, cyclones, extreme heat), and implement prioritised adaptation measures for high-risk locations by end FY2026. **Decarbonisation** Reduce the Bank's operational carbon footprint through targeted digitalisation initiatives, business process reengineering (BPR), and resource-efficiency measures, with year-on-year emissions reductions tracked against an established baseline.
	By the end of year 2026, climate-proof UB Group's operations and infrastructure. By the end of year 2030, reduce absolute Scope 1 and Scope 2 emissions to below 1,323 tCO_2e and achieve net zero for Scope 1 and 2 by investing in appropriate offsets, such as carbon credits and I-RECs.	

Path to Sustainable Value Creation

Risk / Opportunity	National Macroeconomic Context in Sri Lanka	Potential Financial Impact on Union Bank (Cashflows, P&L and Balance Sheet)	
2. Climate Finance			
a. Enabling Renewable energy integration 	Sri Lanka's commitment to achieving Net Zero emissions by 2050 will require substantial investment in the power sector, estimated at approximately USD 17 Bn to USD 25 Bn over the next two decades according to World Bank's Country Climate and Development Report. In line with this transition, Sri Lanka's Long-Term Generation Expansion Plan 2025 - 2044 envisages the addition of 2,400 MW of renewable energy capacity between 2026 and 2030, including 1,500 MW of solar power. Mobilising this capacity is expected to require investment of approximately USD 4.7 Bn (or LKR 1.4 Tn). The enactment of the Electricity (Amendment) Act No. 38 of 2024, together with further amendments in 2025, represents a significant structural reform of the power sector. These amendments introduce 'open access,' enabling the development of a national electricity market beyond the previously dominant single off-taker model operated by the Ceylon Electricity Board (CEB). At the same time, increasing pressure from international buyers and investors for companies to reduce their carbon footprints is expected to drive strong demand for renewable energy solutions. This demand is likely to be further supported by the introduction of green wheeling, which is expected to be operationalised from the second half of 2026. Collectively, these developments create significant opportunities for private sector investment in renewable energy and related financing, supporting Sri Lanka's energy transition and decarbonisation goals.	As at Q4 2025, Union Bank's exposure to renewable energy stood at LKR 1.181 Bn. However, with estimated investment requirements of approximately LKR 1.4 trillion in Sri Lanka's power sector over the next five years, and rising demand for renewable energy solutions driven by the introduction of green wheeling from the second half of 2026, the Bank sees significant growth opportunities across corporate and project finance, SME lending, and retail lending. If Union Bank were to capture even 1% of this market opportunity, it could translate into incremental asset growth of approximately LKR 3.5 Bn per annum. In parallel, the Bank is engaging with the United Nations Development Programme (UNDP), which is in the process of accessing a Euro 10 Mn grant funding window for Sri Lanka under the Mitigation Action Facility. A portion of this funding could be available to Union Bank from Q1 2027 to support blended financing for Solar PV and Battery Energy Storage Systems (BESS) linked to electric vehicle adoption, through mechanisms such as interest rate or capital expenditure subsidies. This would enhance the Bank's competitiveness, enable higher market penetration, and support growth while maintaining appropriate margins. Regulatory developments are also expected to be supportive. CBSL is considering incentives for banks with a higher share of sustainable finance.	

	Mid-Term Targets	Strategic Actions
	By the end of 2028, enable the installation of 30 MW of new renewable energy capacity through Bank-supported financing.	Engage corporate and SME clients with Net Zero and SBTi targets, as well as mass-affluent retail clients, to position the Bank's bundled renewable energy solutions (Solar PV, BESS, and EV financing), with a target to build a minimum pipeline of 15 MW by end-FY2026. Secure up to EUR 7 Mn in grant funding from UNDP to support the promotion and blended financing of the Bank's bundled Solar PV, BESS, and EV solutions across business and retail segments.

Path to Sustainable Value Creation

Risk / Opportunity	National Macroeconomic Context in Sri Lanka	Potential Financial Impact on Union Bank (Cashflows, P&L and Balance Sheet)	
b. Climate Smart Agriculture & Circular Economy in Food Sector. 	The agri-food and fisheries sectors accounted for 23% of Sri Lanka's merchandise exports between 2012 and 2022, with export targets expected to grow from LKR 16 Bn in 2024 to LKR 30 Bn by 2030. As export markets increasingly scrutinize sustainability performance, the adoption of best practices across agri-food value chains is becoming critical, particularly in light of regulations such as the EU Deforestation Regulation affecting sectors like rubber and cocoa. Food inflation, peaking at 95% year-on-year in September 2022, alongside disruptions to fossil fuel inputs underscores the economic risks facing the sector and the urgency of transitioning to more sustainable food systems. Climate impacts such as floods, droughts, and heatwaves disproportionately affect smallholder farmers, who produce approximately 80% of Sri Lanka's food. Strengthening adaptive capacity through climate-resilient crop varieties, efficient irrigation, and smart agriculture systems is therefore essential to reducing climate-related losses and enhancing long-term resilience.	Recognising the importance of strengthening climate resilience in food systems, the Government of Sri Lanka, together with development partners including the World Bank Group, Asian Development Bank, and IFAD have held stakeholder consultations with the view to mobilising over USD 100 Mn in policy-based lending to be channeled through the financial system between 2026 and 2030. Union Bank has already engaged with the World Bank to access funding under the RURBAN programme and has held initial discussions with the ADB on its value chain finance programme. These concessional funding lines present an opportunity to support existing agri-sector customers in enhancing climate resilience, while de-risking the Bank's agriculture loan portfolio by reducing its Climate Value at Risk.	

Impact from Cyclone Ditwah – Information as of 31st December 2025

Complete impact from Cyclone Ditwah is yet to be assessed as the impacts of this disaster would have lagged effects on bank's financed portfolio in the medium term. This illustration provides a snapshot of the immediate assessment of impact to the bank, in terms of employees, customers and physical infrastructure.

Employees Impacted

- 42 employees were notably impacted (no death or injury reported), of which
  - 9 employees houses were fully submerged or suffered major property damage
  - 289 employees availed a total of 507 days of paid emergency leave amidst the disaster and recovery

The Bank supported most affected employees with cash transfers and volunteer support for clean-up

Customers Impacted

- 7 clients sought relief, of which
  - 05 clients have been assessed and provided relief (suspension of loan installments between November 2025 to July 2026 of approx. LKR 192.9 mn).

Bank's Infrastructure Impacted

- 3 branch buildings were notably impacted:
  - Gampola, Gampaha and Chilaw
  - Operations of above branches were restored by mid-December 2025 incurring investment of LKR 22.7Mn

	Mid-Term Targets	Strategic Actions
	By the end of year 2028, ensure that at least 20% of the Bank's agri-food sector exposure qualifies under the updated CBSL's Sustainable Finance Taxonomy (taxonomy to be updated as per Sustainable Finance Roadmap 2.0).	Partner with multilateral development banks (MDBs) and technical expert organisations, such as the World Bank, ADB, Expertise France, and Owita Agri, to channel funding and expertise, particularly to SME clients and cooperatives through co-financing partnerships with other banks.



Employee volunteer efforts after Cyclon Ditwah

Path to Sustainable Value Creation

Disclosure 2-28

Commitment to National Sustainable Finance Initiatives

In 2019, the Central Bank of Sri Lanka introduced the Roadmap for Sustainable Finance in Sri Lanka with a revised Version 2.0 released in mid-2025. Union Bank remains firmly committed to advancing the priorities outlined in this Roadmap, both within the institution and through its external engagements. As a Core Group Member of the Sri Lanka Banks' Association's Sustainable Banking Initiative, Union Bank continues to play a lead role in facilitating industry collaboration. Union Bank hosted multiple meetings during 2025 on behalf of the initiative, including a knowledge sharing session on use of spatial data for climate risk management conducted with the support of Professor Terrence Fernando from University of Salford.

The Bank also engaged as an active member in private sector consultations organised by The Ceylon Chamber of Commerce and the Climate Change Secretariat of the Ministry of Environment on the finalisation of Sri Lanka's Nationally Determined Contributions (NDC) 3.0 on Climate Action and the National Adaptation Plan 2025 – 2034.

10th Anniversary
Sri Lanka Banks' Association
Sustainable Banking Initiative

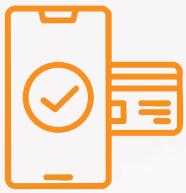
Union Bank is a founding signatory to SLBA Sustainable Banking Initiative (SLBA SBI)

Scan QR code to refer 11 Sustainable Banking Principles that bank has subscribed to as its industry commitment

Rooted yet rising

Our strength lies in the people we serve. By uplifting local businesses and customers, we help communities thrive and economies grow stronger.

Business Review



RETAIL BANKING

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

Union Bank's shift towards Retail Banking saw enhanced focus during the year. As a major business vertical of the Bank the Retail Banking Division delivered a strong performance, supported by a low-interest rate environment and a broad-based recovery in economic activity. These favorable conditions prompted the Bank to roll out several new value propositions, particularly on the liabilities side, whilst its digital-first approach further enhanced customer convenience, accelerated transaction volumes and strengthened fee-based income streams. Consequently, the Bank concluded the year with a Retail segment that is well positioned to serve as a key growth engine in the year ahead.

Performance Highlights of 2025

- The Retail segment was a key contributor to the Bank's rapid growth, accounting for 30% of the Bank's total loans during the year.
- Retail assets grew by 92% whilst Retail liabilities grew by 16%, significantly outperforming industry averages.
- The Pawning, Leasing and vehicle loan portfolios recorded their highest ever growth in volume delivered an outstanding performance, growing by LKR 3.9 Bn and LKR 10 Bn respectively.
- The Bank's digital drive continued to expand accessibility and significantly enhance customer convenience and transaction speed. The UBgo mobile banking app was upgraded with advanced capabilities, while 11 Digital Zones were installed across 8 provinces.
- Targeted solutions were designed for customers after identifying actual expectations. These include the Junior Elite children's account, Home Loan Plus and a new short-term Gold Loan options. Additional offerings included Vehicle Loans and Turbo Draft facilities, complementing standard leasing products and providing a comprehensive vehicle financing proposition.
- A new pawning system was operationalised for better customer service, convenience and designing new solutions for customers.
- The Bank's commitment to personalised services continued with the opening of a new Elite Circle Centre in Negombo, and a dedicated Leasing Hub in Kohuwala.
- The Credit Card customer base continued to expand supported by a strengthened value proposition focusing on lifestyle-oriented benefits and customised, segment-specific promotional campaigns to enhance engagement and usage.
- The Bank seeks to further strengthened its card proposition through the implementation of a state-of-the-art Card Management System in collaboration with BPC Banking Technologies. This will significantly enhance customer experience by enabling faster processing, innovative product features, and greater flexibility.
- The Bank also commenced tracking growth-oriented customer metrics to deepen relationships, strengthen long-term customer trust and support sustainable deposit growth.
- Partnerships with leading property developers, automobile dealers and educational institutions continued to be a significant driver of loan book growth. During the year, 14 new MOUs were signed, increasing the total to 24 partnerships.
- Union Bank's investments in its IT infrastructure seeks to leverage data to provide tailored customer experiences and solutions.





Island-wide pawning promotions



Opening of the Leasing Hub in Kohuwala



Leasing promotions



Strengthening strategic partnerships



New Digital Zones for 24x7 Cash Withdrawals & Deposits

The Year Ahead

- With a strong focus on digitally led growth, the Bank will continue to invest in strengthening its technological capabilities. Key initiatives include the conversion of all ATMs into Cash Recycle Machines (CRMs) by year-end and the establishment of additional Digital Zones enabling enhanced access to 24x7 banking services. The UBgo App will continue to evolve, leveraging advancing technologies to deliver greater customer value and engagement.
- The expanded product suite, including Leasing, Vehicle Loans, Turbo Draft facilities and the newly launched UB Leasing Hub, is expected to be a key driver of growth in the vehicle financing segment.
- The Bank's strategic partnership with Mastercard is expected to further enhance the value proposition for cardholders through secure, seamless transactions and differentiated lifestyle benefits, supporting growth in card usage and fee-based income.
- The Bank will continue to optimise its physical distribution network to enhance accessibility and convenience, through strategic relocation within its branch network.
- People are the centre of any Retail Banking proposition and Union Bank is no different. The Bank seeks to develop and reskill its staff to thrive in an environment where customers are digital natives, whilst ensuring traditional customer service channels are also maintained at the highest quality of service.
- Zero-Interest Credit Card Installment Plan for Solar Investments will be scaled together with other loan propositions for renewable energy and energy efficiency as a Triple Bottom Line initiative delivering measurable environmental, social and economic benefits whilst supporting the Bank's sustainability and climate objectives.

Business Review

SME BANKING

Trade Finance | Working Capital Solutions | Capex Financing | Development & Refinancing | Project Finance | Factoring | Leasing | Payments and Cash Management Services | Trade Services

As the country progressed from an economic downturn, the Bank identified the SME segment as the backbone for its recovery and enhanced its focus towards the SME segment by strategically realigning its resources, strengthening business development, enhancing credit underwriting, recoveries and deposit mobilisation capabilities.

Recognising the SME segments evolving need for digital solutions, the Bank introduced an extension to its cash management solution with the launch of BizDirect Lite a customised version for smaller businesses. This shift significantly boosted new customer acquisitions whilst deepening relationships with existing clients.

These internal enhancements were further supported by a favorable operating environment marked by increased trade and economic activity, greater macroeconomic stability and a low-interest rate regime, all of which supported strong SME lending growth. Collectively, these factors drove an outstanding performance by the Bank's SME Business Unit during the year.

Performance Highlights of 2025

- Building on the growth momentum since 2023, the SME segment delivered an exceptional performance in 2025, surpassing budgets and achieving a loan portfolio growth of over 40%, the highest in the Bank's history.
- Both fee income as well as interest income contributed to the growth in profitability in SME.
- It is noteworthy that all new customers acquired during the year, recorded Non-Performing Loan (NPL) ratios below 0.5%, reflecting the Bank's enhanced credit underwriting standards and the strong credit quality of the portfolio.
- Enhanced value creation for our existing customers continued to drive growth during the year. Solutions such as BizDirect Lite cash management digital platform and decentralised marketing through the Bank's regional network, supported by robust relationship-building, served as key contributors to this year's performance.
- Trade Connect - a one-stop hub for Trade customers was opened during the year at Head Office.
- The Bank launched Power H.E.R. - a women banking proposition aimed at encouraging and elevating women entrepreneurship. It is currently the only solution in the market offering an integrated cash management package specifically designed for women entrepreneurs.





Trade Forums for SME engagement



Supporting the National Entrepreneurship Development Programme

The Year Ahead



- By prioritising digital adoption across the value chain and expanding integrated service offerings through Biz Direct and Trade Hubs, the Bank aims to execute its strategy of building a resilient and sustainable SME portfolio. These initiatives are expected to drive stronger customer engagement, enhance operational efficiency and support long-term profitable growth in the SME segment.
- Building on the strong growth momentum achieved during the year, the Bank will focus on consolidating its SME presence, with a strategic emphasis on deepening relationships and expanding wallet share among existing customers.
- The Bank expects fee based income streams to play an increasingly significant role in the Bank's revenue mix, supporting sustainable profitability in a macro economic environment where net interest income growth is expected to remain moderate.
- Aligned with national macroeconomic priorities, the Bank's SME strategy will continue to expand value creation in key sectors such as Agriculture, Manufacturing, Trade and Tourism, driving sustainable growth and economic development.
- Having fully utilised the ADB and Government refinancing schemes designed to support SMEs, the Bank plans to access the next tranches in the coming year, channeling concessionary funding to priority sectors to further stimulate growth.
- The Bank's Power H.E.R. initiative – will continue to empower women entrepreneurs contributing to long-term sectoral sustainability and shared value for community and the economy.
- The Bank will seek to expand the reach and impact of the UB School of Social Entrepreneurship (UBSSE) and its flagship National Entrepreneurship Development Programme (NEDP) which was launched this year. This public-private partnership conducted in collaboration with the University of Moratuwa and the National Innovation Agency (NIA), provides academic guidance, financial support and innovation leadership to current and aspiring entrepreneurs. Additionally, its participants who successfully complete the programme will gain complimentary access to the Bank's BizDirect platform, further supporting their business growth and digital capabilities.

Business Review

CORPORATE BANKING

Trade Finance and Services | Working Capital Solutions | Term Finance | Project Finance | Payments and Cash Management Services

Corporate Banking Division remained the anchor unit providing stability and continuity, enabling the Bank to innovate and grow the Retail and SME business verticals. A low-interest rate environment combined with growth in the country's trade activity, enabled the Corporate Banking Division to strategically leverage interest rate dynamics and the Bank's digital value propositions. By deepening relationships with existing clients and onboarding new ones, the division has strengthened engagement across its corporate portfolio, contributing meaningfully to Union Bank's overall business strategy and sustained growth.

Performance Highlights of 2025

- The Corporate Banking Division remained a key contributor to Bank's overall performance during the year.
- A stable macro-economic environment supported an increased demand for both working capital and long-term financing. The division effectively leveraged these conditions by delivering tailored financial solutions aligned to clients' evolving business needs.
- During the second half of the year, the division adopted a prudent strategy focused on portfolio rationalisation, customer profitability and asset quality over volume. This approach resulted in a more measured and resilient expansion of the Corporate Banking balance sheet. The division employs RAROC models to tailor win-win solutions for clients.
- The Bank intensified efforts to deepen relationships with existing clients whilst onboarding new customers, driving a notable increase in trade volumes. The Bank's digital agenda was a key catalyst for this growth, particularly through enhancements to BizDirect, its fully integrated Cash Management platform, which strengthened service delivery and client engagement across the Corporate segment.
- The Special Asset Management Unit established in 2024 played a pivotal role in driving recoveries from several large-scale clients and contributing significantly to the division's overall performance.



Trade Workshop for Corporate Clients







Customer enagagement and networking events

The Year Ahead

- Looking ahead, the Bank will continue to prioritise the growth of fee-based income, supported by ongoing digital transformation and business process re-engineering, aimed at enhancing customer value and deepening client relationships. A stable macro-economic outlook and expected economic growth are expected to further support this growth.
- In an environment of relatively higher funding costs compared to larger peers, the division will place increased emphasis on services and fee-based revenue channels as a key driver of sustainable growth and profitability.
- The division will further strengthen its Relationship Management Model by deepening client engagement and delivering sector-specific financial solutions tailored to evolving customer needs.
- Environmentally and socially sustainable financing, particularly in renewable energy and sustainable agriculture will be actively pursued as strategic growth opportunities. Union Bank is well-positioned to align with emerging industry trends and drive innovation, inclusion and profitability through its Corporate Banking strategy. The division will continue to invest in empowering its teams through targeted training, enhanced analytics and performance-based incentives, supporting consistent execution and superior client outcomes.

Business Review



TREASURY

Foreign Exchange Spot and Forward Contracts | Foreign Currency Swaps | Re-purchase and Reverse Re-purchase Agreements | Treasury Bills and Treasury Bonds | Debentures | Commercial Papers | Equity Investments | Unit Trust Investments | Foreign Currency Bank Note Operations

The operating environment during the year was characterised by a sustained low-interest rate regime, creating favorable conditions for loan growth across the banking sector. As anticipated at the close of 2024, Union Bank effectively leveraged this environment to meet the heightened demand for credit.

At the same time low-interest rate conditions presented challenges in mobilising deposits through the branch network, as customers were less incentivised to place funds in traditional savings and term deposit products. In response, the Treasury adopted a more strategic role, shifting its focus from being primarily a profit centre to supporting the Bank's liquidity management requirements.

Within this landscape, the Treasury built on the strategic priorities outlined in 2024 to deliver a strong performance and demonstrate agility, effectively managing interest rate dynamics, liquidity pressures and foreign exchange developments thereby positioning the Bank for sustained growth.

Performance Highlights of 2025

- Diverging interest rate dynamics between the government securities and the prime lending rate, prompted the Treasury to selectively sell portions of its Treasury Bond portfolio, supporting loan book expansion.
- Leveraging the Bank's growing capacity to mobilise long-term funding in a low-interest environment, the Treasury successfully raised wholesale long-term funding to underpin loan growth.
- With the rupee depreciating by approximately 3.5% during the year, the Treasury's focused on anticipating foreign exchange rate movements and optimally managing retained earnings in the offshore banking book.



The Year Ahead

- To strengthen the Bank's funding profile, the Treasury will seek to expand access to long-term borrowings thereby easing reliance on traditional deposit mobilisation channels and enhancing balance sheet stability.
- In response to evolving monetary and market conditions, the Treasury is expected to play an increasingly proactive role in liquidity management, supporting the continued expansion of Bank's loan book while maintaining prudent risk parameters.
- In parallel, the Treasury will prioritise the establishment of relationships with multiple Exchange Houses to enhance foreign currency inflows and optimise opportunities arising from marginal movements in the rupee, further strengthening the Bank's foreign exchange position.

Review of Subsidiary Operations

National Asset Management Limited (NAMAL)

NAMAL's product offering includes four unit trusts, namely National Equity Fund, NAMAL Growth Fund, NAMAL Income Fund and NAMAL High Yield Fund—together with bespoke portfolio management services for private wealth clients.

In 2025, National Asset Management Limited (NAMAL) continued to reinforce its position as a leading asset management institution in Sri Lanka. The Company sustained steady progress across its core business lines, supported by disciplined investment processes, robust governance practices and growing investor confidence. The Company remained focused on research-driven decision-making, prudent risk management and the delivery of structured investment solutions aligned with client objectives.

National Equity Fund (NEF)

The National Equity Fund maintained stability in its asset base, reflecting sustained investor interest in diversified equity exposure. The Fund continued to preserve a balanced allocation between listed equities and fixed-income instruments. During the year, favourable market conditions supported the Fund's overall performance, with portfolio decisions guided by fundamental research, sector diversification and long-term valuation considerations. As a result, the Fund recorded a strong annual return of 42.87%, underscoring the effectiveness of its investment strategy and disciplined portfolio management.

NAMAL Growth Fund (NGF)

The NAMAL Growth Fund attracted strong investor engagement throughout the year, supported by continued demand for equity-focused investment solutions. While the Fund maintained a small allocation to fixed-income instruments for liquidity purposes, it remained predominantly invested in listed equities. The Fund delivered positive outcomes during the year, supported by rigorous stock selection, active portfolio oversight and a focus on companies with strong fundamentals and sustainable long-term growth potential. This disciplined investment approach resulted in an impressive annual return of 47.13%.

NAMAL Income Fund (NIF)

The NAMAL Income Fund continued to attract sustained interest from investors seeking stable, fixed-income oriented strategies. The Fund adhered to its conservative mandate, investing primarily in securities rated BBB- or higher. Throughout the year, its disciplined approach to credit quality and liquidity management contributed to consistent income generation, reinforcing its position as a reliable choice for risk-conscious investors. As a result, the Fund achieved a strong annual return of 9.88%.

NAMAL High Yield Fund (NHYF)

The NAMAL High Yield Fund recorded steady progress during the year, supported by sustained investor demand for low-risk, short-term fixed-income solutions. The Fund continued to invest in high-quality securities with shorter maturities and strong credit ratings. Its conservative investment strategy delivered favourable outcomes while effectively managing interest rate and credit-related risks throughout the year. This prudent strategy delivered a solid annual return of 8.35%.

Fund Name	YTD (%)
National Equity Fund (NEF)	42.87
NAMAL Growth Fund (NGF)	47.13
NAMAL High Yield Fund (NHYF)	8.35
NAMAL Income Fund (NIF)	9.88

The Year Ahead



As the country continues its recovery and development trajectory, the Management Company is well positioned to capitalise on emerging opportunities to enhance profitability and deliver sustained value to investors. The outlook thus remains positive, supported by the anticipated growth in funds under management and an improving economic environment.

The Company will focus on identifying high-potential sectors aligned with national development priorities, while deploying innovative and disciplined investment strategies that balance risk and return. A continued emphasis on sustainability, adaptability and prudent portfolio construction will support resilience amid evolving market dynamics and underpin long-term investment performance.

Strengthening collaboration with local enterprises and embedding responsible investment practices will remain central to the Company's approach, reinforcing its commitment to corporate responsibility and positioning it to navigate the evolving financial landscape with confidence.

Review of Subsidiary Operations

UB FINANCE

The operating environment in 2025 was marked by an economic rebound, a low-interest rate regime and real GDP growth. Economic activity gained momentum across the Manufacturing, Construction, Agriculture and Tourism. Supported by these favourable conditions together with the liberalisation of vehicle imports UB Finance (UBF) delivered an excellent performance during the year.

Performance Highlights of 2025

- The Company's profits grew significantly to reach LKR 90.6 Mn for the year.
- UBF's gross lending portfolio grew by 41% rising from LKR 9.9 Bn. at end 2024 to LKR 13.9 Bn at end 2025 its strongest expansion to date. The phased easing of vehicle import restrictions in early 2025 further energised lending activity particularly within the Retail and SME segments.
- The Asset quality also improved significantly with Non-Performing Loans (NPL) ratio declining markedly to 11% in December 2025 from 20.4% a year earlier. The Company continued to follow a prudent SLFRS 9 provisioning policy maintaining a Stage 3 impairment coverage ratio of 49.75%.
- UBF maintained a Capital Adequacy Ratio of 21.8%, well above regulatory minimums, reinforcing its resilience and stability.
- Net interest income strengthened during the year supported by effective repricing strategies and disciplined management of interest expenses in a declining interest rate environment.
- Simultaneously, the gold loan portfolio expanded substantially supported by elevated global gold prices and higher demand for short-tenor, high-liquidity credit. This balanced growth approach enhanced revenue diversification and strengthened the Company's risk profile. UBF also sustained a stable deposit base throughout 2025, reflecting stronger depositor confidence.
- UBF allocated resources towards procuring a new core banking system supported by a state-of-the-art data center, ancillary software platforms and advanced technological infrastructure.
- A dual-layered IT governance structure, aligned with the CBSL Technology Risk Management and Resilience Framework, was instituted to guide and oversee the Company's digital transformation.
- The Company reinforced its governance structure to support institutional resilience and long-term value creation. Strong oversight mechanisms were maintained across strategic planning, treasury, credit and compliance.
- With the regulatory landscape evolving rapidly, particular focus was placed on strengthening controls around IT security systems, anti-money laundering (AML) and countering the financing of terrorism (CFT) in line with CBSL directives.

The Year Ahead



- UBF will continue to diversify its product offering by developing tailored financial solutions that address the evolving needs of SME and Retail customers. This includes introducing more flexible loan schemes and expanding value-added services to enhance customer engagement and strengthen market share.
- Digital innovation will remain a strategic priority. UBF is progressing with the development and rollout of advanced mobile and internet banking platforms designed to streamline internal processes, improve operational efficiency and deliver an enhanced customer experience. These initiatives will position UBF as a leader in accessibility, convenience and financial technology within the sector.
- UBF will seek to expand its physical presence in key locations island wide to broaden its customer base and better serve its existing customers.
- Collaborating with its parent company Union Bank of Colombo PLC to provide value added services to its customers will be among its key initiatives.

Redefining performance

With a renewed sales culture built on collaboration, insight, and innovation, we are unlocking new opportunities and delivering lasting value

FINANCIAL CAPITAL



A year of quantum Growth has laid a resilient foundation for Growing Stronger in the years ahead.

The Bank continued its growth trajectory from where it left off in 2024. An aggressive lending policy anchored in prudent risk management practices saw the Bank's profit after tax double during 2025. This has enabled the Bank to create value for its shareholders and other stakeholders alike.

Capitals Impacted

Sustainable Development Goals (SDGs)

Strategic strides in 2025

- 2025 saw the Bank's strategy actually gain legs as results became visible.
- The increase in revenue despite the lower interest rates gave credence to the decision to diversify the loan book into SME and Retail.
- Fee income surged, as the business volumes picked up especially in trade and loan related verticals.
- The banks digital proposition also picked up pace, with digital transactions accounting for 71% of transactions up from 65% in December 2024

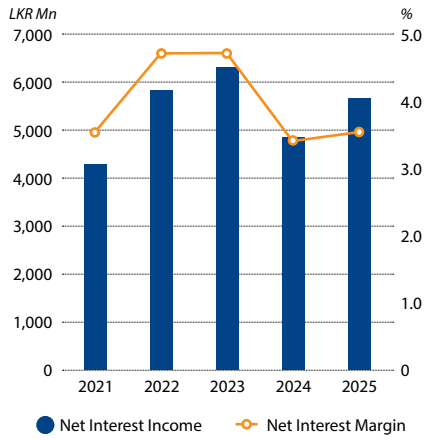
Overview and Focus

The Bank continued its strong loan growth, registering a 34% growth over the prior year. This continues the Bank's transition towards SME / Retail as the anchor segments identified in its strategy. This growth, coupled with strong risk management and recovery action, has resulted in a PAT of LKR 654 Mn which is a 118% growth.

Net Interest Income

The weekly Average Weighted Prime Lending Rate (AWPLR) continued its downward trend during 2025 before picking up during the last quarter to close 17 bps higher than at the end of 2024. The 91 day and 1 year T bill rates ended the year 88 bps and 51 bps lower respectively than at the end of the prior year. Despite a dampened interest rate regime, the Bank managed to improve its Net Interest Margin by 10 bps to 3.5%. This, along with the growth in the balance sheet helped improve the Net Interest Income of the Bank to LKR 5.6 Bn from LKR 4.8 Bn in the prior year, an increase of 17%. The Bank parks excess funds in fixed income Unit Trusts, the income of which is recorded under other income. If this was considered as part of interest the NIM would have reflected 3.67%.

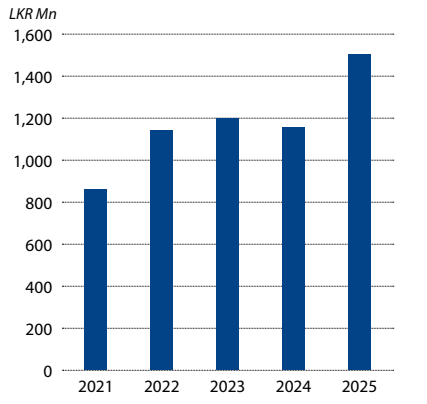
Net Interest Income (NII) and Net Interest Margin (NIM)



Net Fee and Commission Income

The Net Fee and Commission Income registered a healthy 34% growth compared to the prior year. The Net Fee and Commission Income crossed the LKR 1.5 Bn mark up from LKR 1.15 Bn in 2024. The growth was recorded largely on trade-related fee lines, reflecting the rebound of the economy and opening up of the vehicle markets.

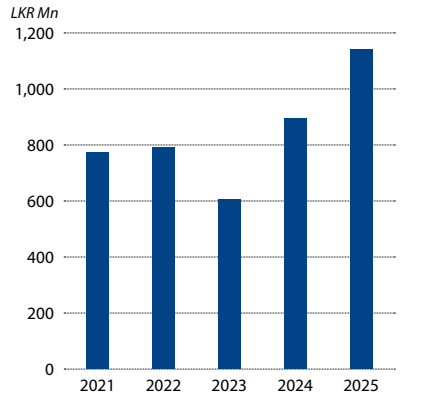
Net Fee and Commission Income



Net Trading and other Income

Net Trading and other income, improved from LKR 898 Mn in 2024 to reach LKR 1.1 Bn in 2025. In a low stable interest rate environment, this is a positive achievement. This reflects the treasury activities in supporting not only balance sheet activities, but also FX activities supporting trade transactions.

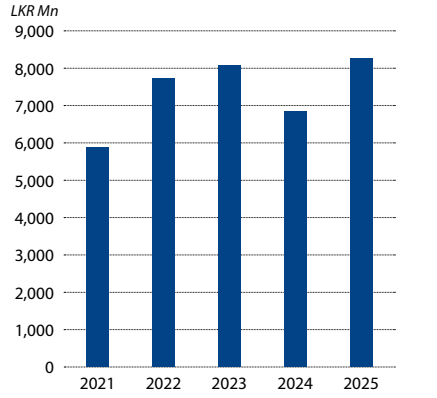
Net Trading and Other Income



Total Operating income

Total Operating income reached LKR 8.3 Bn up from LKR 6.9 Bn in 2024 a growth of 20%. This is the highest Total Operating Income recorded by the Bank in the past 10 years, reaffirming the effectiveness of its current strategy and commitment to profitable growth.

Total Operating Income

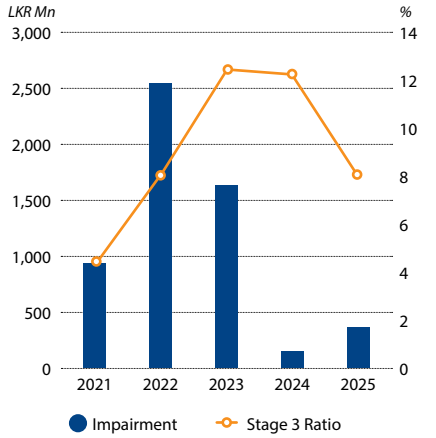


Impairment and Credit Quality

The impairment charge increased compared to the prior year by LKR 217 Mn primarily due to the collective impairment on the incremental loan book coupled with recalibration of collective impairment models. The strengthened underwriting standards has ensured that new flows to Stage 3 have been minimal and virtually nonexistent for loans booked since Jan 2024.

Accordingly, the Stage 3 Ratio declined from 12.3% in 2024 to 8.1% bringing the ratio closer to industry averages.

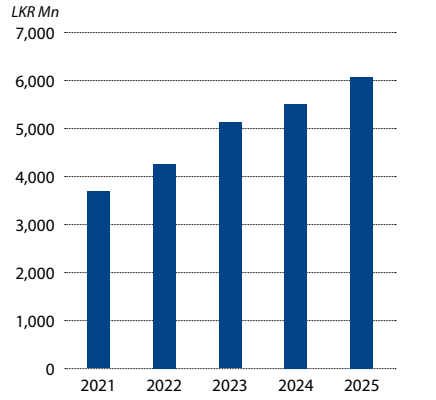
Impairment and Credit Quality



Operating Expenses

Operating expenses increase was managed within 10% to reach LKR 6.0 Bn. Staff costs increased by 9% reflecting the overall wage increases. Whilst other operating expenses increased by 8%. Depreciation and amortisation costs increased by 17% on the back of capitalisation of IT investments carried out in the latter part of 2024 and in 2025. The increase in operating expenses when compared to the increase in operating income at 20% has resulted in the Cost-to-Income ratio improving from 80% to 73%

Total Operating Expense



Financial Capital

Profit for the Year and Other Comprehensive Income

The profit from operating activities reached LKR 1.84 Bn, an increase of 52% over the prior year. The share of profit of subsidiaries was LKR 86.7 Mn compared to a loss of LKR 1.5 Mn in the prior year. The Profit Before all Taxes was recorded at LKR 1.9 Bn an increase of 60% over 2024. The Profit After Tax recorded a 118% increase to cross the LKR 650 Mn threshold, only the third time to do so in the last 10 years.

Other comprehensive Income recorded a loss of LKR 174 Mn compared to a profit of LKR 274 Mn in the prior year, mainly due to net change in fair value of debt instruments during the year.

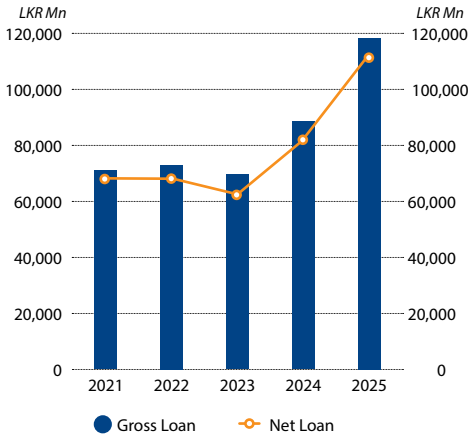
Funding and Capital

The main funding source continues to be customer deposits. Deposits recorded an increase of 15%. The CASA base expanded by LKR 2.9 Bn, while the overall deposit base expanded by LKR 15 Bn. This resulted in the CASA ratio marginally declining to 24.4%.

Loans and Advances

The Bank's Gross Loans and Advances surged by 34% to reach LKR 118 Bn, this continues the strong growth recorded since 2023, when the loan book was LKR 69 Bn, which is a 71% increase in 2 years. The largest percentage growth was recorded against leasing at 342% and Pawning at 185%, in line with the Bank's strategy.

Gross Loan and Net Loan



Capital

The Bank reached the minimum capital of LKR 20 Bn during 2025 without exercising the outstanding warrants. The capital ratios remained above the minimum requirements despite the reduction due to the rapid expansion of the asset base. The Bank plans to buttress the capital with the issuance of a Tier II Basel III compliant debenture which will support the balance sheet growth in 2026.

The liquidity adequacy measured by the Liquidity Coverage Ratio and the Net Stable Funding Ratio were well above the required minimums of 100%.

Group Performance

The Group consists of the Bank and its two subsidiaries, UB Finance PLC and National Asset Management Limited. The operations of these companies are briefly described in the section titled 'Subsidiary Operations', on pages 61 and 62.

Group profit after all taxes stood at LKR 659 Mn during the year under review up from LKR 300 Mn in 2024. The total assets of the group were LKR 185 Bn. The Bank accounts for 93.4%, a marginal decline from 94.6% of the balance sheet of the Group in the prior year. This reflects the strong growth registered by UB Finance PLC, whose total assets grew by 43%

Hence the Group's performance continues to be mainly propelled by the Bank. Considering the significance of the performance of the Bank, it also discloses non-financial performance in accordance with the GRI standards.

The Year Ahead



2026 is going to be a year of efficiency improvement with investments in technology. Digitalisation of the back office operations will enable the bank to rethink the customer journey away from traditional approaches. Frictionless customer onboarding coupled with AI enabled credit underwriting and data biased decision making capabilities will help the bank to do more with less. One of the key metrics to watch in 2026 would be the profit per employee as technology picks up the mundane routine work from staff.

MANUFACTURED CAPITAL

Growing Stronger by future proofing our infrastructure

Union Bank's Manufactured Capital encompasses its network of 56 branches across the country, complemented by robust technology platforms and enabling infrastructure. These assets form the foundation for operational resilience, digital transformation, and the delivery of scalable, customer-centric banking solutions.

Capitals Impacted

Sustainable Development Goals (SDGs)



Strategic strides in 2025

- The Branch operating model was restructured to facilitate a growth culture.
- Installed 11 CRM machines across the country.
- Established another Elite Circle Centre in Negombo.
- Trade Connect a one-stop shop for trade business opened at Head Office.
- A Leasing Hub was opened in Kohuwala.

Management Approach

Union Bank's approach to managing its Manufactured Capital is guided by evolving customer preferences, accelerating technological trends and the strategic imperative to optimise resources for greater efficiency and value creation.

The Bank's Manufactured Capital comprises its physical infrastructure, branch network, ATMs, Digital Zones and CRMs and the technology assets that enable efficient and reliable service delivery. As customer preferences increasingly shift toward digital channels across industries, particularly evident in the financial services industry; the strategic importance of traditional brick-and-mortar touchpoints continues to evolve. In alignment with the Bank's digitally driven growth strategy, investments in IT infrastructure and digital service delivery have continued to rise over the years, strengthening the foundation for future value creation.

Key Investments Into Manufactured Capital

Category	2025	2024	2023
Fixed Assets (Book Value) LKR Mn	2,342	2,109	1,584
Additions to Fixed Assets LKR Mn	826	1,058	371
Investments in Technology LKR Mn	1,083	1,032	566

Manufactured Capital

Enhancing and Harnessing Branch Potential

Union Bank's branch network, located across the country and managed under six regional zones, continued to serve as an important customer touchpoint and a core delivery channel. As at 31st December, the Bank operated 56 branches, compared to 61 in the previous year. In line with the Bank's process re-engineering efforts aimed at resource optimisation and transitioning toward a more agile structure suited to its digitalisation journey, five branches were closed.

A key initiative under the Bank's process innovation and growth-focused model was the introduction of a new operating model for branches. Under this model, branch managers were relieved of routine operational tasks, enabling them to focus on strengthening existing customer relationships, developing new business and driving growth. This strategic shift contributed meaningfully to the Bank being recognised as one of the fastest growing banks in 2025. The change in the operating model also contributed to expanding the SME segment to achieve its highest-ever profits within SME banking.

The new operating model has empowered branch managers to play a more proactive role within the communities they serve, enabling them to identify opportunities for creating sustainable and mutually beneficial value. Additionally, giving preference to hiring employees from local communities has further enhanced relationship-building, deepened customer rapport and strengthened the Bank's presence across its branch network.

Expanding our Reach



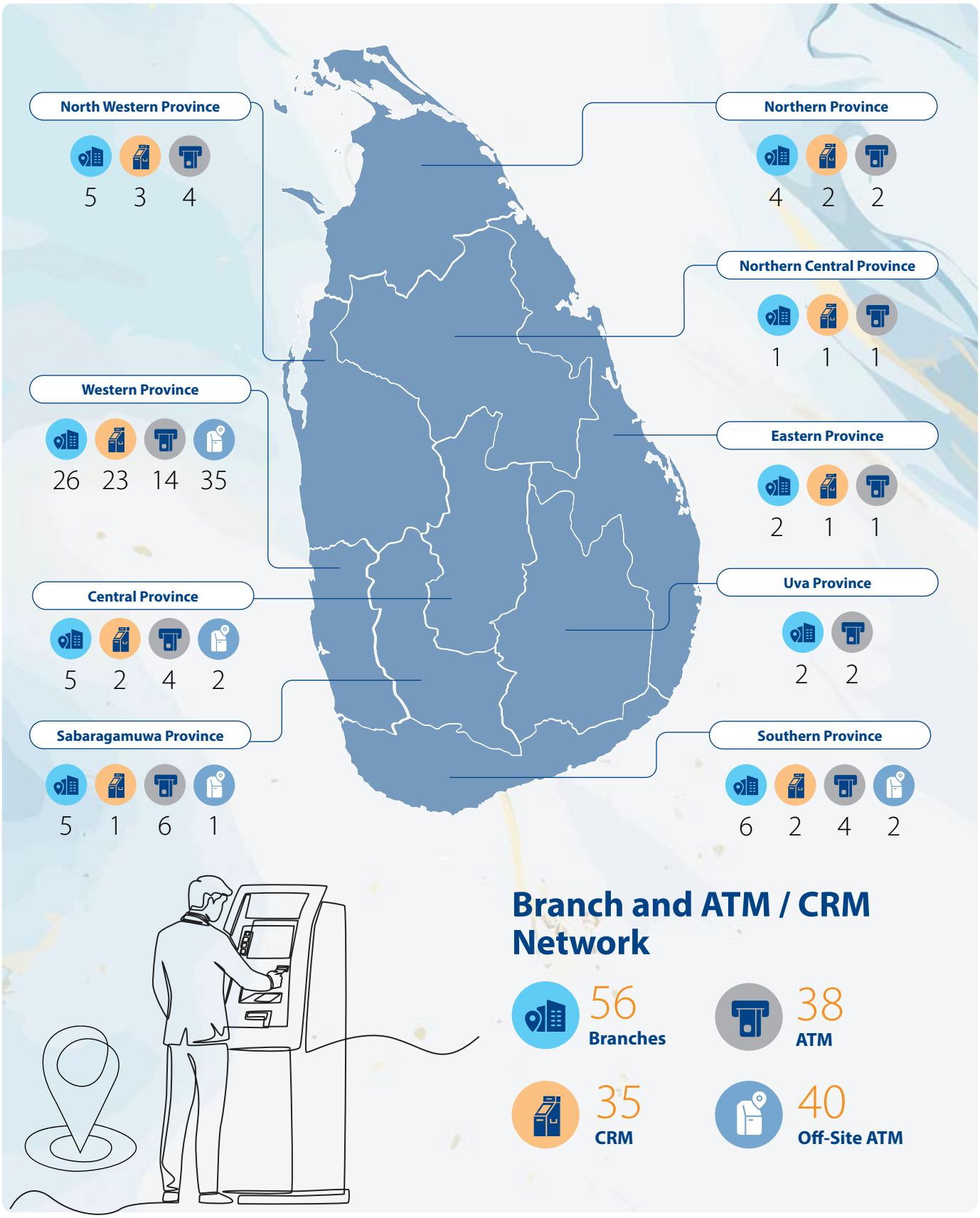
Aligned with the Bank's strategy to grow its High-Net-Worth customer segment, an additional Elite Circle Centre was established during the year at the Negombo branch premises, further enhancing personalised service delivery and strengthening the Bank's value proposition for this priority segment.



Aligned with our strategy of growing fee income, the Bank established Trade Connect - a One-Stop hub for trade customers at Head Office. This initiative enhances service efficiency and positions the Bank to better capture trade-related business opportunities.



The newly launched Leasing Hub in Kohuwala, located in close proximity to key vehicle sales outlets, is expected to operate as a major value centre. This hub is supported by product specialists recruited during the year to accelerate the Bank's leasing business growth and strengthen its presence in this strategically important segment.


North Western Province
5 3 4
Northern Province
4 2 2
Northern Central Province
1 1 1
Western Province
26 23 14 35
Eastern Province
2 1 1
Central Province
5 2 4 2
Uva Province
2 2
Sabaragamuwa Province
5 1 6 1
Southern Province
6 2 4 2
Branch and ATM / CRM Network
56 Branches
38 ATM
35 CRM
40 Off-Site ATM

Manufactured Capital

Agency Banking Network

The Bank's Agency Banking Network complements its branch presence by enabling real-time transactions beyond the standard banking hours, at convenient locations. The Agency Network comprises partnerships with Cargills Food City supermarkets and Mobitel M-Cash Agent Banking outlets.

Technology

In alignment with the Bank's emphasis on digitally-driven growth, investments in IT infrastructure and digital service delivery have continued to rise, strengthening the Bank's capacity to meet emerging customer expectations for convenience, speed and 24/7 access while optimising operational efficiency.

During the year, the Bank further enhanced its Manufactured Capital by expanding technology-enabled infrastructure to support its digital transformation agenda.

- 11 CRM machines were installed in 6 districts in 2025, namely Colombo, Gampaha, Kalutara, Kandy, Batticaloa and Vavuniya, increasing the total number of CRMs to 35 by year-end, thereby improving customer convenience and enabling greater adoption of self-service banking providing customers with 24/7 access to secure, efficient, and modern digital banking services across key locations.
- The number of Digital Zones located across the country in 7 provinces have hence increased to 8 as at year end.

IT Infrastructure

During the year, IT infrastructure saw the highest investments. IT is becoming increasingly critical to value creation and remains central to the Bank's growth strategy. In recognition of its role in enabling efficiency, resilience and digital-led customer experiences, the Bank continued to scale up its investments in technology throughout the year. These investments strengthen the Bank's capacity to deliver secure, seamless and future-ready services, while supporting operational optimisation and long-term value creation. Key additions to the IT infrastructure during the year include:

- Upgrade of the core banking backend system to enhance processing speed, integration and support business growth.
- The replacement of large number of outdated desktops to support system security, enhanced performance, stability and operational efficiency.
- Investments in IT infrastructure to ensure alignment with Central Bank regulatory compliance and Payment Card Industry standards including ISO27001:2022 and PCI DSS 4.01 also, aligning with BCMS - ISO 22301, Information Security Incident Management - ISO 27035, ITSM - ISO 20000.
- Established a central Data Warehouse to strengthen data analytics, insight generation and evidence-based decision-making across the Bank.
- Upgraded the ATM Switch to enhance scalability, performance and enable more customer-friendly features on ATMs & CRMs.
- Introduced new software systems to enhance leasing and pawning operations, improving efficiency, turnaround time and customer experience.

The Year Ahead



- Migrating the entire ATM network of the branch network to Cash Recycle Machines (CRMs) by end 2026; and expanding customer access to secure and convenient 24/7 banking services through digital zones which facilitate cash deposits, withdrawals and cheque deposits
- Strategic consolidation of the off-site ATM network to optimise cost efficiency and asset utilisation whilst maintaining robust market coverage and service availability in high-demand and growth-focused locations
- Optimising the Bank's physical presence by strategically expanding and reconfiguring the brick-and-mortar network to improve accessibility and customer convenience
- Fully leveraging the new branch operating model to drive business growth, deepen customer relationships and strengthen SME and Retail expansion
- Enhancing the Bank's credit card management system to support product innovation, portfolio growth and improved customer servicing
- Continuing to prioritise IT infrastructure upgrades to facilitate business expansion, strengthen information security and regulatory compliance as well as elevate customer experience and value creation
- Leveraging digitisation to reduce paper usage, supporting the Bank's sustainability goals and operational efficiency by implementing a state-of-the-art business automation platform

HUMAN CAPITAL

Enhancing and Harnessing the Potential of our People for "Growing Stronger"

Union Bank's achievement of becoming "The Fastest-Growing Bank" in 2025 was powered by the talents and unwavering commitment of our team of 1,140 individuals.

During the year, the Bank embarked on a digitally-driven growth strategy alongside a revitalised brand identity that underscored the importance of a dynamic culture.

Capitals Impacted

Sustainable Development Goals (SDGs)



Strategic strides in 2025

- LKR 16.9 Mn Investment in Learning and Development
- 25,000+ training hours
- 181 promotions during the year
- 333 new recruits

Disclosure 405-1

Gender Parity

11.11% Female members of the Board of Directors

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

25% Females at leadership roles

Female hiring rate Female promotion rate

	New Recruits	Promotions
Female	139 (42%)	89(49%)

Management Approach

As a smaller player in the highly competitive Sri Lankan banking sector, Union Bank recognises that the quality of our customer service and therefore the capabilities of our people serve as a critical source of competitive advantage.

The Bank's approach to managing Human Capital is grounded in a firm commitment to empowering employees with opportunities to advance both their personal and professional growth. This approach is guided by a comprehensive suite of HR policies, which are regularly benchmarked against global best practices. All employees are expected to adhere to the Bank's Code of Conduct, which outlines the professional and ethical standards required in our workplace. The changes introduced during the year span a broad spectrum of areas, including enhanced employee benefits, the establishment of clear Key Performance Indicators (KPIs), refined performance evaluation processes, and the restructuring of incentive frameworks.

In addition to complying with national labour laws, the Bank has established a comprehensive suite of HR policies that provide a strategic framework for people management at Union Bank.

Supporting Strategic Imperatives

During the year several initiatives were launched to align our Human Capital strategy with the Bank's forward-looking vision and its transformation into a more future-ready institution. We recognised that internal transformation was essential to truly live our brand values and fulfill our mission to *'Transforming Lives.'*

Human Capital

Employee Snapshot as at 2025

1,140
Staff Strength

361
Total Turnover for the Year

333
Total Recruits for the Year

Achieving a healthy gender balance

48%
Female

52%
Male

Amongst the key initiatives during the year, we strategically positioned and deployed staff into product areas with the highest expansion potential. Particular emphasis was placed on the Retail and SME segments, with targeted strengthening of roles in business development, credit underwriting, recovery, and deposit mobilisation. This focused approach ensured that our workforce capabilities were aligned with the Bank's strategic priorities and long-term growth aspirations.

In addition, the Bank implemented well-defined career progression pathways and strengthened succession planning mechanisms to support continuous staff development and ensure long-term organisational resilience.

Summarised below are some of the key challenges we have begun to address.

Human Capital Challenges and Strategic Responses

Key Human Capital Challenges

Talent Attraction & Retention
Evolving workforce expectations, Gen Z aspirations, and out-migration of banking talent seeking overseas opportunities.

Varying Competency Standards
Inconsistent skill levels across roles impacting service delivery and performance.

Young Workforce Profile
50.1% of employees aged 30 or below, creating an experience gap in banking operations.

Lack of Business-Driven Mindset
Conservative decision-making among front-line staff limiting agility and growth.

Employee Motivation & Efficiency
Need for stronger engagement, collaboration, and modern work culture.

Reliance on Manual Processes
Slower customer service and performance reporting due to limited automation.

Strategic Responses

Strengthened Recruitment Delivery
Met recruitment targets, improved turnaround time, and streamlined onboarding.

Accelerated Career Progression
Revised grade structures, faster confirmations, and clear promotion pathways.

Enhanced Talent Pipeline
Structured pool of trained candidates for key roles ensuring business continuity.

Strengthened Employee Value Proposition
Modern, purpose-driven work environment aligned with Gen Z expectations.

Enhanced Employee Engagement
Recognition programmes, transparent communication, and targeted initiatives.

Introduced LMS & Learning Culture
Mandatory courses, digital certificates, and role-based competency development.

Performance-Based Incentives
Shifted to variable pay model to foster accountability and results-driven culture.

Revised Branch Operating Structure
Branch Managers focus on business development; operations delegated to support staff.

Team Cohesion & Open Culture
Team-building programmes, open-plan workspaces, and collaborative environment.

Automation & Process Reengineering
Digitisation initiatives to improve efficiency and customer service.

Disclosure 2-7

Employment Type	Female			Male			Total		
	2025	2024	% YoY	2025	2024	% YoY	2025	2024	% YoY
Contract	28	52	-46%	28	41	-32%	56	93	-40%
Central Province					1			1	
Eastern Province									
North Central Province									
North Western Province		1		1	3		1	4	
Northern Province	2			1			3		
Sabaragamuwa Province					1			1	
Southern Province	1	1		1			2	1	
Uva Province									
Western Province	25	50		25	36		50	86	
Permanent	489	490	0%	538	503	7%	1027	993	3%
Central Province	22	19		26	18		48	37	
Eastern Province	8	7		7	5		15	12	
North Central Province	6	6		7	11		13	17	
North Western Province	18	19		24	32		42	51	
Northern Province	15	19		21	20		36	39	
Sabaragamuwa Province	14	17		21	18		35	35	
Southern Province	24	25		21	24		45	49	
Uva Province	5	6		6	5		11	11	
Western Province	377	372		405	370		782	742	
Trainee	35	70	-50%	22	33	-33%	57	103	-45%
Central Province	3	3		2	2		5	5	
Eastern Province	2	2					2	2	
North Central Province									
North Western Province	4	5		1			5	5	
Northern Province	1	1					1	1	
Sabaragamuwa Province	1	2		1			2	2	
Southern Province	3	1		2	1		5	2	
Uva Province	1			1	1		2	1	
Western Province	20	56		15	29		35	85	
Total	**552**	**612**	**-10%**	**588**	**577**	**2%**	**1140**	**1189**	**-4%**

The Bank does not employ part-time workers. Full-time employees are those who work minimum of 40 hours per week.

Human Capital

Disclosure 2-8

Workers who are not employees

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

Outsourced Staff Category	Type of Work	No of Staff Count - 2025
Call Center	Customer care	3
Drivers	Pool vehicle drivers	6
Electricians	Maintenance work	3
Front Office	Receptionists	2
Janitorial	Cleaning	80
Mail Room	Mail dispatching and collection	4
Messengers	Clerical workers	5
Security	Providing security services	140
Stewards	Tea service	4
Total		**247**

Notice Period Requirement

All Bank employees are required to provide three months' notice prior to resignation. This policy supports effective workforce planning and helps minimise operational disruption, ensuring continuity of service and consistent delivery of value to our customers.

Disclosure 408-1, 409-1

Recruitment and Selection Process

Recruitment to ensure the right person for the right job is a critical element in human capital management. Given the current industry environment and the intense competition for talent, as enumerated under challenges, the year under review saw Union Bank strengthening its recruitment process, by streamlining selection and onboarding processes reducing time-to-hire and ensuring faster manpower replacement across the branch network.

Recruitment at Bank is carried out as a structured and planned process, where the manpower requirements of each business unit and department are consolidated into the annual manpower plan, prepared in alignment with the annual budgeting cycle.

In fulfilling this plan, the Bank aims to recruit candidates who demonstrate the right values, attitudes, and professional capabilities to be the best fit for Union Bank. We maintain a strong commitment to equal opportunity and non-discriminatory hiring practices, ensuring that all candidates are treated fairly regardless of origin, religion, race, gender, or any other personal attribute.

All vacancies are first announced internally to provide existing employees with the opportunity to progress within the Bank. Subsequently, positions are advertised externally to reach a wider pool of potential candidates. Local hiring is also emphasized to effectively meet the staffing needs of our branch network. Key features of our Recruitment Policy include:

- A fair and transparent process. Recruitment is strictly merit-based, objective and free from bias, ensuring equal opportunity for all eligible candidates.
- An Approach to talent acquisition firmly rooted in need-based hiring, ensuring that every recruitment decision aligns with strategic business priorities. By focusing on actual organisational requirements rather than arbitrary headcount targets, we optimise workforce efficiency, reduce costs, and maintain agility. This method enables us to attract the right talent at the right time, fostering a culture of purposeful growth and sustainable success.
- We leverage a diverse range of recruitment channels to attract top talent, including campus engagement programmes, competitive examinations, and targeted lateral hiring for specialised and experienced roles. This multi-channel approach ensures a strong talent pipeline, promotes diversity, and enables us to meet evolving business needs with agility and precision
- A clear objective: To place the right person in the right role, thereby strengthening organisational effectiveness, productivity, and long-term.
- Compliance: Recruitment and staffing activities fully adhere to government and regulatory guidelines governing the creation of positions and the filling of vacancies, ensuring transparency, accountability, and alignment with statutory requirements.

Disclosure 401-1

New Employee Hires

Province	Age Category													
	<30				30-50				>50				Grand Total	
	Female		Male		Female		Male		Female		Male			
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Central	6 (6.7%)	7 (4.2%)	1 (1.4%)	6 (5.5%)	3 (6.5%)	3 (6.7%)	6 (0.1%)	8 (9.0%)	-	-	1 (7.1%)	-	17 (5.1%)	24 (5.7%)
Eastern	-	2 (1.2%)	1 (1.4%)	1 (0.9%)	-	2 (4.4%)	1 (0.9%)	3 (3.4%)	-	-	-	-	2 (0.6%)	8 (1.9%)
North Central	-	-	-	-	1 (2.2%)	-	1 (0.9%)	1 (1.1%)	-	-	-	-	2 (0.6%)	1 (0.2%)
North Western	7 (7.9%)	6 (3.6%)	5 (6.8%)	2 (1.8%)	5 (10.9)	1 (2.2%)	4 (3.8%)	2 (2.2%)	-	-	-	-	21 (6.3%)	11 (2.6%)
Northern	3 (3.4%)	1 (0.6%)	4 (5.4%)	1 (0.9%)	2 (4.3%)	2 (4.4%)	5 (4.7%)	4 (4.5%)	-	-	-	-	14 (4.2%)	8 (1.9%)
Sabaragamuwa	1 (1.1%)	3 (1.8%)	2 (2.7%)	2 (1.8%)	1 (2.2%)	-	2 (1.9%)	3 (3.4%)	-	-	-	-	6 (1.8%)	8 (1.9%)
Southern Province	4 (4.5%)	2 (1.2%)	5 (6.8%)	4 (3.6%)	2 (4.3%)	3 (6.7%)	8 (7.5%)	6 (6.7%)	-	-	-	-	19 (5.7%)	15 (3.6)
Uva	1 (1.1%)	1 (0.6%)	-	2 (1.8%)	-	-	4 (3.8%)	2 (2.2%)	-	-	-	-	5 (1.5%)	5 (1.2%)
Western	67 (75.3%)	146(86.9%)	56 (75.7%)	92 (84%)	32 (69.6%)	34 (75.6%)	75 (70.8%)	60 (67.4%)	4 (100%)	1 (100%)	13(92.9%)	7 (100%)	247 (74.2%)	340(81.0%)
Grand Total	89 (26%)	168 (0.4%)	74 (22.2%)	110 (0.3%)	46 (13.8%)	45 (10.7%)	106 (5.9%)	89 (21.2%)	4 (1.2%0	1 (0%)	14 (4.2%)	7 (1.7%)	333 (100%)	420 (100%)

Employee Turnover

Province	Age Category						Grand Total
	< 30		30 - 50		50 <		
	Female	Male	Female	Male	Female	Male	
Central Province	4 (3.4%)	1 (1.4%)	2 (3%)	6 (6.5%)	-	-	13 (3.6%)
Eastern Province	-	-	-	1 (1.1%)	-	-	1 (0.3%)
North Central Province	-	1 (1.4%)	-	-	-	-	1 (0.3%)
North Western Province	6 (5.2%)	6 (8.2%)	4 (6%)	5 (5.4%)	-	-	21 (5.8%)
Northern Province	4 (3.4%)	2 (2.7%)	2 (3%)	4 (4.3%)	-	-	12 (3.3%)
Sabaragamuwa Province	2 (1.7%)	-	1 (1.5%)	2 (2.2%)	-	-	5 (1.4%)
Southern Province	3 (2.6%)	6 (8.2%)	1 (1.5%)	6 (6.5%)	-	-	16 (4.4%)
Uva Province	-	1 (1.4%)	1 (1.5%)	3 (3.3%)	-	-	5 (1.4%)
Western Province	97 (83.6%)	56 (76.7%)	56 (83.6%)	65 (70.7%)	4 (100%)	9 (100%)	287 (79.5%)
Grand Total	**116 (32.1%)**	**73 (20.2%)**	**67 (18.6%)**	**92 (25.5%)**	**4 (1.1%)**	**9 (2.5%)**	**361 (100%)**

Employee Turnover by Hierarchy

Category	2025			2024		
	Male	Female	Total	Male	Female	Total
Corporate Management	7	3	10	4	2	6
Middle Management	66	47	113	75	25	100
Operational Management	74	99	173	68	76	144
Others	27	38	65	99	81	180
Grand Total	**174**	**187**	**361**	**246**	**184**	**430**

Human Capital

Workforce by Years of Service

Tenure Category	Total
Less than 1 Yr	258
1 Yr - 3 Yrs	431
3 Yrs - 5 Yrs	113
5 Yrs - 10 Yrs	160
10 Yrs - 15 Yrs	113
15 Yrs - 20 Yrs	38
More than 20 Yrs	27
Total	**1,140**

Performance Management

The Bank has in place a fully digitised performance management system—SAP SuccessFactors to strengthen accountability, transparency, and performance alignment across the organisation. This system provides a structured framework that clearly communicates performance expectations and documents and evaluates all permanent employees' performance against defined targets. The system also enables ongoing monitoring of employee performance throughout the year, thus facilitating continuous improvement where needed.

With SAP SuccessFactors, the entire performance cycle, from goal setting and mid-year reviews to performance evaluations, calibration sessions, and feedback is managed digitally, ensuring consistency, fairness, and real-time visibility for both employees and line managers.

Moreover, during the year, underscoring the belief that service begins at home, the Bank introduced an internal customer satisfaction survey - 'CSAT'. Accordingly, filling an internal service-standards feedback questionnaire has been made mandatory for branch staff to evaluate the service they receive from their colleagues at Head Office. The evaluation form includes a rating scale and provides employees with the opportunity to explain the reasons that prompted the ratings they assign. Thus, monitoring the service we provide to one another has now become a key catalyst for continuous improvement and transformation, helping us identify gaps in internal service delivery to find effective solutions to improve where needed.

The annual appraisal process also includes a self-assessment component, requiring all employees to document and reflect on their performance. These self-assessments are then compared against performance outcomes recorded within the system to ensure accuracy, alignment, and transparency.

Performance recognition is directly linked to performance ratings, enabling a merit-based approach to increments, promotions, and formal recognition programmes. The results form the basis for determining annual bonus entitlements, employee promotions, and individual training and development needs. This process also enables the Bank to identify high-performing employees for further development in line with our succession planning strategy.

Selected high performers are groomed for future leadership roles through customised individual development plans, supported by mentoring and coaching provided by senior leaders within the Bank.

Since 2024, Union Bank has also established comprehensive policies to embed Environmental, Social and Governance (ESG) priorities across all levels of the organisation. Structured disciplines, clear focus areas and accountability measures ensure that ESG principles are integrated from the boardroom to all employees.

To drive effective execution, ESG responsibilities are assigned to management team members and incorporated into their Key Performance Indicators (KPIs). Sustainability champions across the organisation are empowered and trained to lead initiatives and translate our sustainability values and strategies into concrete actions.

Percentage of Employees Receiving Regular Performance and Career Development Reviews

Disclosure 404-3

Gender	No of Eligible Employees for Annual Year-End Review					
	2025			2024		
	No of Employees Eligible	Total Employees	%	No of Employees Eligible	Total Employees	%
Female	431	552	78%	351	612	57%
Senior Manager & above grades	26	28	93%	22	31	71%
Executive Officer to Manager grade	210	237	89%	181	228	79%
Executive & below grades	195	287	68%	148	353	42%
Male	480	588	82%	363	577	63%
Senior Manager & above grades	80	83	96%	47	73	64%
Executive Officer to Manager grade	282	322	88%	226	305	74%
Executive & below grades	118	183	64%	90	199	45%
Total	911	1140	80%	714	1189	60%

UB Heroes Awards

In 2025, the Bank introduced the UB Heroes Awards, a unified recognition platform that brings together all award and appreciation initiatives under one umbrella. This programme celebrates and rewards high-performing employees, reinforcing a culture of excellence, motivation, and appreciation across the organisation.





Disclosure 401-2

Remuneration and Benefits

Union Bank offers competitive remuneration and benefits to all employees, guided by well-established compensation practices that consider relevant external market benchmarks, business context, and the Bank's financial sustainability. Our wage and salary structures are intentionally kept simple and transparent to avoid unnecessary complexity, while remaining flexible enough to adapt to evolving market conditions and business priorities.

The Bank is also committed to promoting pay equity and makes a conscious effort to minimize salary gaps between men and women performing comparable roles.

In 2025, we introduced incentive programmes that recognise exceptional performance and overachievement, ensuring that rewards are merit-based and aligned with measurable results rather than fixed organisational costs. By incentivising outstanding contributions, we reinforce a culture of excellence and ensure that competitive rewards are directed toward individuals who demonstrate the strongest performance and the best organisational fit.

Regular compensation reviews ensure that our pay and benefits remain market-competitive, while a performance-based recognition culture motivates high performers and reinforces engagement across all levels of the organisation.

Disclosure 401-2

Benefits provided to full-time employees and not provided to temporary or part-time employees

Benefits Provided	Permanent	Trainee	Fixed Term
Private Provident Fund with the option for increased contribution	√	√	√
Loan for staff members at concessionary rates for housing, motor vehicle, personal needs, festival advances	√	x	x
Medical reimbursements, spectacle reimbursement	√	x	x
Personal accident and Life Insurance	√	√	√
Special insurance cover for critical illness covering employee, spouse and children	√	x	x
Medical check-up for staff 40 years and above	√	x	√
Reimbursement of course fee and exam fee in relation to banking exam conducted by IBSL	√	x	x
Payment of membership subscription of professional bodies for Officer and above grades	√	x	x
Difficult station allowance	√	√	√
Outstation allowance	√	√	√
Travelling allowance/reimbursement	√	x	√
Incentives for high-performing staff	√	√	√
Incentive for high-performing Branch Managers	√	x	√
Bonus based on Bank's performance	√	x	√
Awards for high performing staff/teams	√	√	√
Recognition for longstanding employees who have completed 20/25 years of service	√	x	x
Parental leave	√	√	√
Compassionate leave	√	√	√

Disclosure 401-3

Parental Leave

	Total	Male	Female
Number of Employees Entitled for Parental Leave	1,140	588	552
Number of Employees Availed Parental Leave in 2025	25	12	13
Number of Employees that Returned To Work in the reporting period after parental leave ended	29	12	17
The Total Number of Employees that Returned To Work after parental leave ended that were still employed 12 months after their return to work	25	11	14
Return to Work Rate	100%		
Retention Rate	86%		

Human Capital

Disclosure 405-2

Ratio of Basic Salary of Remuneration for Women to Men

Grade	Male	Female
Key Management Personnel	1	0.64
Assistant Vice President	1	-
Chief Manager	1	0.9
Senior Manager	1	0.92
Manager	1	0.88
Assistant Manager	1	0.93
Senior Executive Officer	1	0.93
Executive Officer	1	0.95
Executive	1	1.05
Support Staff	1	-
Fixed Term Contract	1	0.36
Junior Executive II	1	1
Junior Executive I	1	0.99
Junior Executive Trainee	1	1





UB Spotlight Talent Night



Cricket Fiesta



Port Paradise - Annual Staff Party

Disclosure 2-30

Employee Relations

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

Disclosure 2-25

Employee Grievance Handling

The Bank is committed to maintaining a fair, transparent, and inclusive workplace where all employee concerns are addressed promptly and respectfully. Employees may currently raise grievances through their line managers, the HR team, or via formal written submissions, with strict adherence to confidentiality and a strong non-retaliation policy.

Any grievance brought to attention is managed through a structured framework and a committee-based process, operating at multiple organisational levels. This ensures that all concerns are systematically reviewed, impartially assessed, and resolved in a timely manner. By embedding these mechanisms into our management practices, Union Bank reinforces its dedication to equitable solutions and upholding a safe and respectful workplace for all employees.

To further strengthen this framework, Bank will establish a Grievance Redressal Committee (GRC) comprising senior management, HR representatives, and employee representatives. The GRC will oversee the structured review, investigation, and resolution of grievances, track emerging trends, and ensure accountability across the organisation. Additionally, awareness sessions and training programmes will be conducted to familiarise employees and managers with the grievance handling process.

This enhanced mechanism will reinforce trust, promote transparency, and sustain a respectful workplace culture, ultimately contributing to higher employee engagement and retention.

Furthermore, the "Respectful Workplace Policy" introduced by the Bank in 2023, aims to ensure a respectful and safe working environment, free from all forms of workplace violence and harassment including workplace bullying and sexual harassment.

Disclosure 402-1

Minimum Notice Periods Regarding Operational Changes

All operational changes and significant designation updates are communicated to employees in a timely manner. For instance, during the year, with digital and lean transformation taking place within the organisation, five branches were closed (from 61 to 56) and certain roles in departments were rationalised by Q4 2025. The Bank's human resource function notified the relevant employees who would be affected by the operational change three months in advance of the change taking effect, with efforts taken to ensure a smooth transition.

The minimum notice period for operational changes varies depending on the nature of the change and its potential impact on ongoing operations. Employment contracts clearly outline termination procedures and notice periods, enabling employees to make informed career decisions.

Disclosure 406-1

Throughout the year no incidents of discrimination or harassment were reported across the Bank.

Disclosure 405-1

Diversity, Equity and Inclusivity

The Bank actively fosters employee diversity, valuing the wide range of perspectives, ideas, and experiences it brings to enrich our organisational culture. The principles of Diversity, Equity, and Inclusivity (DEI) are not merely values we espouse, they are deeply embedded in our culture and consistently reinforced across the organisation to guide employee behaviour and strengthen our workplace environment.

The Bank's comprehensive DEI policy provides a framework to shape our procedures, practices, and organisational culture. We actively uphold DEI principles to ensure that all individuals receive fair and equitable treatment, with a strong emphasis on creating an environment where all employees feel respected, valued, and included. The Bank maintains a strict zero-tolerance stance on discrimination, reinforcing our commitment to respectful and fair treatment for everyone.

Age	Corporate Management		Chief Manager		Senior Manager and Manager		Assistant Manager		Fixed -Term Contract		Non Executive and Trainee	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
18-24	-	-	-	-	-	-	-	-	16 (69.6%)	12 (44.4%)	153 (42.7%)	90 (32.61%)
25-29	-	-	-	-	-	-	5 (5.1%)	6 (5.1%)	5 (21.7%)	5 (18.5%)	130 (36.3%)	105 (38.04%)
30-34	-	-	-	-	5 (8.5%)	21 (16.3%)	39 (39.8%)	49 (41.9%)	1 (4.3%)	2 (7.4%)	54 (15.1%)	59 (21.38%)
35-39	-	-	-	2 (12.5%)	20 (33.9%)	33 (25.6%)	29 (29.6%)	39 (33.3%)	-	-	13 (3.6%)	16 (5.80%)
40-44	-	1 (4.3%)	2 (18.2%)	5 (31.3%)	21 (35.6%)	31 (24.0%)	11 (11.2%)	15 (12.8%)	1 (4.3%)	-	6 (1.7%)	3 (1.09%)
45-49	-	6 (26.1%)	4 (36.4%)	2 (12.5%)	10 (16.9%)	17 (13.2%)	6 (6.1%)	6 (5.1%)	-	1 (3.7%)	2 (0.6%)	1 (0.36%)
50-54	2 (66.7%)	11 (47.8%)	3 (27.3%)	6 (37.5%)	3 (5.1%)	19 (14.7%)	5 (5.10%)	2 (1.7%)	-	1 (3.7%)	-	2 (0.72%)
>55	1 (33.3%)	5 (21.7%)	2 (18.2%)	1 (6.3%)	-	8 (6.20%)	3 (3.06%)	-	-	6 (22.2%)	-	-
Grand Total	3 (0.26%)	23 (2.02%)	11 (0.96%)	16 (1.40%)	59 (5.18%)	129 (11.32%)	98 (8.60%)	117 (10.26%)	23 (2.02%)	27 (2.37%)	358 (31.40%)	276 (24.21%)

Religion	Female	Male	Total
Buddhism	413	430	843
Christianity	99	105	204
Hinduism	32	48	80
Islam	7	5	12
Chinese traditional religion	1	-	1
Total	**552**	**588**	**1140**



Satyn Women Friendly Workplace Awards 2025 for championing women in leadership

Disclosure 403-1, 403-2, 403-7

Occupational Health and Safety

Union Bank is committed to safeguarding the health, safety, and overall wellbeing of its employees, recognising that a secure and supportive work environment is essential for sustainable value creation.

While a formal, Bank-wide system for hazard identification, risk assessment, and incident investigation is still under development, bank continues to implement emergency management best practices including fire drills. Bank also conducted awareness programs for employees on wellness topics such as stress management and cancer awareness during the year. Employees also had the opportunity to take part in Yoga and Zumba classes at office after office hours, making it convenient for employees to lead an active lifestyle.

Human Capital

Disclosure 404-1, 404-2

Training and Development

Rs Mn. 16.9 **2025**

Investments in T&D

Rs Mn. 14.2 **2024**

25,042 Hrs

Training hours

83 **Internal Trainings**

54 **External Trainings**

During the year, we strengthened the Learning and Development culture to support the Bank's key strategic imperatives. A major milestone was the introduction of the Learning Management System (LMS), designed to foster a continuous learning culture across the organisation. The LMS promotes ongoing development in both soft skills and product knowledge by mandating the completion of relevant courses. Employees who complete these digital learning modules receive certificates, providing formal recognition of their development and further encouraging active participation in learning initiatives.

We also strengthened Role-Based Competency Development and product-specific training to ensure employees possess the skills and knowledge required to excel in their respective positions. These initiatives enhanced capability, improved service delivery, and aligned employee performance with evolving business needs.

Among the key programmes featured in this year's training calendar were several targeted initiatives aligned with the Bank's strategic priorities. These included:

- focused training sessions for frontline staff across branches, the contact centre, and mobile/digital support units, covering customer service excellence, effective complaint handling, value-added interactions (upselling and cross-selling), and digital channel awareness. These took the form of full-day interactive workshops covering active listening, empathy, problem-solving, effective communication, and follow-up processes.
- programmes on Product Knowledge & Digital Skills: 11 product-related courses were migrated to the LMS for continuous learning and easy access.
- outbound training for operations staff and town-hall meetings to foster collaboration and morale.

The Bank's orientation programmes for new recruits include structured induction programmes to ensure new employees are seamlessly integrated into the organisation. They include the following.

- Formal Induction: New hires participate in an orientation programme that familiarises them with the Bank's culture, policies, compliance requirements and operational processes.
- Probation Period: Recruits generally serve a probation period during which they receive ongoing guidance, mentorship and structured performance evaluations to support their transition into the role.
- Digital Learning: The onboarding journey increasingly incorporates e-learning modules and mobile-based learning tools, offering flexibility and enabling employees to learn at their own pace.

Employee Category	Total Training Hours		Average Training Hours	
	2025	2024	2025	2024
Trainee	7,328	3,594	26	21
Banking Assistant/Senior Assistant	6,157	7,954	23	26
Officer	2,835	1,804	15	13
Assistant Manager	4,299	3,177	14	13
Manager	3,244	3,233	26	27
Senior Manager	695	1,040	20	24
Chief manager	218	168	14	13
Top Management	266	176	15	10
Total	**25,042**	**21,146**	**22**	**19**
Gender wise				
Female	12,058	10,284	21	20
Male	12,984	10,862	22	21

Future Priorities for Training & Development

- **Competency Framework Development:**

Implementing an individual learning index and competency dashboard for all roles.

- **AI Integration:**

Launching AI-powered learning assistants and targeted AI training for operational areas.

- **Leadership Development:**

Certified coaching programmes and cross-functional training to enable multi-skilling and succession planning.

Training programme	No. of Programmes	Duration of the Programme (Hours)	Total Number Participant count	Total Number of hours
ControlCase 14th Annual Global Conference	1	16	1	16
Training Programme on the Banking (Special Provisions) Act, Directions No. 01 of 2024 on Data Templates for Resolution Planning for Licensed Banks	1	4	4	16
Training on Completing Mandates	1	2	10	20
Basel III Framework	1	7	1	7
Training for Credit Officers (Training on Kalypto & Risk Rating for the credit officers)	1	7.5	20	150
Sustainability Champ Training	1	3.5	21	73.5
HR Quiz	1	3	4	12
Compliance Symposium 2025	1	8.5	5	42.5
BASL Online Certificate Course in Conveyancing	1	18	3	54
UB Product Power Forum Batch - 1	1	8	211	1,688
Credit Training Session Scheduled for Branch Credit Staff - Southern Region	1	6	11	66
Diploma in International Trade	1	96	2	192
Seminar on Beyond Finance Leasing	1	7	1	7
UB Product Power Forum Batch - 2	1	8	220	1,760
Workshop on Cash Recycling Technology	1	40	1	40
Sales Essentials Training for Branch Staff - ABM batch	1	8	7	56
Sales Essentials Training for Branch Staff - Teller & Customer Service Batch	1	8	17	136
Certificate Course on Treasury and Foreign Exchange Operations	2	126	3	378
Certificate Course on Operational Aspects of International Trade	2	168	5	840
Pawning Training for DBM's - Batch 1	1	8	24	192
Macro Connect 2025	1	2.5	1	2.5
STRATEGY for Senior Managers with Bradley Emerson	1	7.5	2	15
IT Security Awareness Training Session	1	3		0
Workshop on Pawnbroking	1	7.5	2	15
In-depth Workshop on Personal Data Protection Act	1	7	5	35
Pawning Training for DBM's - Batch 2	1	8	34	272
Pawning Training for Pawning Officers	1	8	41	328
Online Training Session on Trade Products and Processes - Metro 1 & 2	1	1	18	18
Leasing Champion - Training programme	1	8	45	360
Training Programme for Credit Officers - Batch 1	2	16	51	816
Asset & Liability Management for Banking Institutions	1	7	1	7
Cyber Security Conference (ManageEngine - CyberCon Sri Lanka 2025)	1	5	4	20
AI Training for Credit Evaluation - Batch 1	3	24	86	2,064
Mandatory Training Session for Liability Champions	1	4	24	96
National HR Conference	1	15	2	30
Special Programme on "Valuation of Treasury Bonds"	1	7	1	7
Mandatory Training Session for Digital Champs	1	3	36	108

Human Capital

Training programme	No. of Programmes	Duration of the Programme (Hours)	Total Number Participant count	Total Number of hours
Mandatory Training Session for Liability Champions - Central Region	1	4	11	44
Training Programme on "Transformation from Manager to Leader"	1	8	28	224
Annual tax forum 2025	1	8	1	8
Mandatory Training Session for Liability Champions	1	8	35	280
Special Programme on "Liquidity Stress Testing" for Banks	1	16	1	16
Data Security Summit	1	8	2	16
Training programme on People Management Skills	1	8	37	296
Breaking New Ground and Elevate Your Game	1	8	78	624
Mandatory Training Programme for Asset Champs	1	8	20	160
Diploma in Treasury & Risk Management	1	116	1	116
CXO Forum	1	3	1	3
Environmental and Social Risk Management (ESMS) Training - Union Bank	1	8	42	336
Credit Cards Pocket Trainings	3	15	60	900
SafeTech Xperience 2025	1	40	1	40
Second Credit Training Session Scheduled for Branch Credit Staff - Southern Region	1	6	12	72
Mandatory Training Programme for Assest Champs	1	8	25	200
Master Disciplinary Inquiries	1	7	1	7
Fire Warden Coordinator Training	1	4.5	37	166.5
Follow-up Training Session on Breaking New Ground and Elevate Your Game	1	8	14	112
Certified Payment Security Compliance Manager (CPSCM)	1	18	2	36
The AI Advantage: Leadership in the Digital Age	1	8	20	160
First Aid Coordinator Training	1	8	27	216
VAT on Non-Resident Service Providers	1	1.5	1	1.5
Graduate Intern Assessment	1	4	7	28
Bancassurance Training for Liability Champions	1	7		
Programme on "Preparation and Submission of Statutory Returns"	1	15	2	30
IIA National Conference	1	8	5	40
On the Job Training - Trade	1	8	2	16
Credit & Pawning Training for Branch Credit Officers (Assesment)	2	15.5	36	558
CRIB Training on Error Log Inputting & Rectification	1	2	32	64
One day Workshop on Coaching Skills for Leaders (Entrepreneurs, Decision Makers & Executives)	1	7.5	1	7.5
Follow-up Session on Credit Training for Branch Credit Officers	1	8	27	216
Bancassurance Training for all the Assets Champions	1	7.5	39	292.5
Programme on Legal and Regulatory Framework relating to Financial Institutions	1	7	1	7
SLFRS S1 and S2 Gap Analysis and Implementation Facilitation	1	9	4	36

Training programme	No. of Programmes	Duration of the Programme (Hours)	Total Number Participant count	Total Number of hours
Conference on Arbitration	1	8.5	1	8.5
Seminar on Companies (Amendment) Act No. 12 of 2025	1	3	1	3
Trade Finance Association of Bankers Quiz & Social 2025	1	3	5	15
Mandatory Training on Branch Operations	1	8	60	480
Power BI Training	1	7.5	20	150
Cyber Security Summit	1	8	4	32
Next Gen Productivity Tools for Leaders	1	7	1	7
International Coaching Conference on Humanity	1	16	2	32
Treasury Talent Pool - Aptitude Test & Introduction Session	1	2	20	40
SLBA Sustainable Banking Initiative - Training Programme on Climate Fundamentals	1	13	2	26
AI Expo & Conference	1	8	3	24
46th National Conference of CA Sri Lanka	1	13	4	52
Pawning Operations & Practical Session	1	3	3	9
Certificate in Credit & Bank Management	1	56	21	1,176
Customer Service Training	3	24	69	1,656
KPMG Webinar on Amendments to the Companies Act & Tax Impacts	1	3	1	3
SWIFT ISO 20022 Training	1	8	4	32
Personal Data Protection Seminar	1	2	2	4
BIS FX Global Code certification/re-certification workshop on 21st November 2025	1	8	2	16
National Data Protection Symposium	1	8	3	24
Assessment for Graduate Intern	1	4	2	8
Customer Service Training for Negombo Branch	1	1.5	10	15
Relationship Manager Training - Customer Service	1	16	4	64
Human Resources in the Age of Artificial Intelligence	1	2	2	4
Contact Center Training	1	2	22	44
IBSL National Banking & Finance Conference 2025	1	16	3	48
Certificate Course on Compliance in Banks	1	56	2	112
Mastering Data Analytics with Advanced MS Excel & Introduction to MS Power BI	1	16	9	144

Employee Engagement and Culture

Union Bank promotes a collaborative, inclusive, and performance-driven culture that emphasizes openness, empowerment, and continuous learning. Through open-door policies, structured mentoring, leadership engagement, and recognition programmes, employees are supported, heard, and motivated to contribute. This approach fosters innovation, accountability, and a shared sense of purpose, driving engagement, high performance, and long-term loyalty.

The Bank continued to implement a range of both formal and informal employee engagement initiatives to foster motivation, strengthen connection and a shared sense of purpose and improve retention and productivity. Some of the formal mechanisms include:

- Leadership Connect Sessions: Regular forums where senior management engages with employees to share strategic updates, recognise achievements, and encourage open, two-way dialogue.
- Performance and Development Reviews: Structured appraisal discussions that provide meaningful feedback, identify development opportunities, and recognise achievements.

Human Capital

- Team-Building Exercises: Interactive sessions, offsite retreats and collaborative activities that foster trust, teamwork and stronger interpersonal connections.
- Communication Platforms: Regular internal communications, staff bulletins, and digital channels that keep employees informed, aligned and connected.
- Recognition Programmes: Formal reward schemes and appreciation initiatives that acknowledge outstanding performance and exceptional contributions.
- Learning and Development Programmes: Continuous learning opportunities, leadership development and skill-building interventions that support career growth and enhance engagement.

Through these structured and meaningful engagement avenues, Union Bank strengthens employee motivation, organisational loyalty and a culture where people feel valued, connected and empowered to contribute their best.

Key Informal Engagement Activities Include

In addition to formal engagement practices, Union Bank actively promotes informal activities that build camaraderie, strengthen relationships and enhance workplace morale. These initiatives create a positive and inclusive environment that extends beyond structured programmes.

- Bank-wide activities such as the Avurudu Festival (Ape Gama Avurudu), Cricket Fiesta and other sports events, religious events, UB Spotlight, UB Port Paradise, Carols and other cultural and recreational events that foster camaraderie and a team spirit.

- Staff Social Events: Celebrations of festivals, birthdays and cultural occasions that encourage informal networking and a sense of belonging.

- Talent and Creativity Platforms: Initiatives such as UB Spotlight and internal competitions that allow employees to showcase their skills, hobbies and creativity.

- Peer Appreciation: Informal recognition among colleagues, where small wins and individual contributions are acknowledged and celebrated.

- Wellness and Recreational Activities: Sports events, wellness challenges and mindfulness initiatives that promote health, wellbeing and work-life balance.

Through these informal engagement efforts, Union Bank cultivates a supportive, energetic and people-centered culture that enhances overall employee experience and strengthens team cohesion.

To support the Bank's target to sustain growth into the future and harness the results of its Business Transformation and Digitalisation the following are priorities in our Human Capital strategy for 2026:

The Bank's Strategic HR Priorities for 2026	
Building a Future-Ready Organisation	• Competency framework-based development with an individual learning index • AI learning and integration with a digitally savvy workforce • Strategic coaching/leadership development/ cross-functional training • Career growth through Talent pools - role-based learning paths • Integration of the Performance and Competency Index of staff • LMS-based continuous learning culture
Staff Rationalisation & Optimisation	• Desired staff strength and right-sizing departments/units through BPR • Role bundling and multitasking/shared resource models across departments and branches • Service outsourcing enhancements • Branch clustering and efficient allocation of resources to branches • Create a talent pipeline • Adopt the universal banker concept
Achieving 2X Performance Annually	• Strong focus on delivery of KPIs • Competitive Rewards for the best FIT • Pay for role enhancements • Staff recognition schemes • AI for KPI tracking/feedback collections • Critical benefits to be reviewed
Employee Engagement & Team Building	• Create a culture of camaraderie and collaboration • Experience platform – real-time feedback tools to monitor satisfaction and engagement • Community engagement/Cross-functional teams' approach • Empower team leaders as culture champions (since team leaders are the bridge between strategy and execution)

SOCIAL AND RELATIONSHIP CAPITAL

Motivated to Transforming Lives, we are Growing Stronger through meaningful partnerships and inclusive progress.

Our journey to becoming one of the Fastest Growing Banks in 2025 was built on transformed relationships, strengthened by a renewed brand identity and the steadfast support of our stakeholders.

Capitals Impacted

Sustainable Development Goals (SDGs)



Strategic strides in 2025

- Established Trade connect as a one -stop -shop for trade.
- Opened a new Elite Circle Centre for High-Net-Worth (HNW) customers at the Negombo branch.
- Launched "Junior Elite" for children of HNW
- Enhanced Biz Direct cash management solution for corporates
- Opened a new Leasing Hub in Kohuwala.
- Upgraded UBgo mobile app for with new features

In 2024, Union Bank unveiled a refreshed and reenergised brand identity that reflects a forward-thinking vision anchored in a digital-first approach and an unwavering commitment to customer-centricity and innovation, with a mission to "Transforming Lives". This year saw us embark on re-engineering of our business processes and bolstering of our internal capacities. The Bank adopted a digitalisation drive to live up to its brand values as well as enhance value creation for all stakeholders.

Social and Relationship Capital

Customers Disclosure 2-6

Enhancing Value Creation for our Customers in 2025:

During the year:

- The Bank established "Trade Connect" at Head Office. It serves as a one-stop centre for new and existing trade clients to manage all their trade requirements seamlessly under one roof.
- We also enhanced the integrated offering of our BizDirect solution for Corporate clients and Biz Direct Lite - for SME's.
- Opening of a new Elite Circle Centre— the Bank's proposition for high-net-worth clients, in Negombo
- Launch of the "Junior Elite" account for children of high-net-worth individuals,
- The "Power H.E.R" proposition for women entrepreneurs
- A shorter term (one month) pawning option and Turbo Draft for vehicle leasing
- Opening of a new Leasing hub in Kohuwala- offering the convenience of a one-stop shop, in close proximity to many vehicle sales outlets
- Upgrade of UBgo – our mobile banking app with more advanced features, such as opening of new savings and fixed deposit accounts and onboarding of new-to-bank customers with Video KYC
- Supporting extended hours and accessibility through the agent banking network for deposits, credit card and loan payments
- Establishing partnerships with leading automobile dealers to provide tailor made vehicle financing solutions. As at year-end, the Bank had a total of 9 such partnerships
- Introducing a Credit Card tailored for a previously untapped segment – teachers – a first of its kind in the market, and adopting segmented marketing such as the life time waiver of the annual fee for select groups of professionals

Launch of Union Bank Power H.E.R

Coinciding with International Women's Day on 8th March, the Bank launched Power H.E.R- a women banking solution aimed at encouraging and elevating women entrepreneurship. Union Bank Power H.E.R, which stands for Helping Entrepreneurs Rise is currently the only solution in the market offering an integrated cash management package specifically designed for women entrepreneurs in the SME segment; with a range of exclusive benefits including customised funding, special interest rates, insurance, expert advisory, grants and business linkages.

A significant portion of small SMEs in Sri Lanka are women-led or women-owned, and this segment continues to grow with substantial untapped potential. Empowering these businesses creates meaningful opportunities for economic expansion and long-term value creation. In this context, the Power H.E.R. proposition stands out as a compelling win-win solution.

Expanding our Credit Card Portfolio to Broaden Choices and Enhance Benefits

Union Bank continued to strengthen its Credit Card proposition through two key strategic initiatives. The implementation of a state-of-the-art Card Management System in collaboration with BPC (Banking Technologies), which will significantly enhance customer experience by enabling faster processing, innovative product features and greater flexibility.

Moreover, the Bank forged a strategic partnership with Mastercard, reinforcing its commitment to delivering secure, seamless transactions and exclusive lifestyle benefits further elevating the value offered to its cardholders.

Accessibility and Reach

The Bank has a network of 56 branches and 40 remote ATMs across Sri Lanka that make up the core physical touch-points for customers.

All branches operate from 9.00 a.m. to 3.00 p.m. on all working days, offering the full suite of banking products and services. The year started off with 24 digital zones and the Bank installed 11 more CRMs and demarcating these selected locations to the Union Bank Digital Zones, which facilitates 24/7 cash deposits, withdrawals and cheque deposits. These zones were augmented by the Bank's Agent banking network, which is enabled through selected locations of SLT-Mobitel and Cargills Food City Supermarket outlets. The real-time financial services offered through these digital channels significantly enhance the Bank's presence across the country.

Diversity of products

Union Bank offers a diversified product portfolio designed to address the evolving financial needs of a broad and diverse customer base across multiple segments. The table below outlines the Bank's key product offerings across major customer segments.

RETAIL BANKING

- Savings and Current Accounts
- Time Deposits
- Minor Savings
- Investment Planner
- Foreign Currency Accounts
- Debit Cards
- Personal Loans
- Loans against property
- Pawning
- Leasing
- Housing Loans
- Cash Backed Advances
- Education Loans
- Credit Cards
- Digital Zones, off-site ATMs
- Agent Banking
- Safety Deposit Lockers
- Bancassurance
- Remittances
- Internet Banking
- Mobile Banking
- Elite Circle

SME BANKING

- Project Finance
- Factoring
- Working Capital Solutions
- Trade Finance
- Leasing
- Capex Financing
- Payment and cash Management Services
- Development and Refinancing
- Trade Services

CORPORATE BANKING

- Trade Services
- Trade Finance
- Project Finance
- Working Capital Finance
- Term Finance
- Payment and cash Management Services

TREASURY

- Foreign Exchange Spot and Forward Contracts
- Foreign Currency Swaps
- Re-purchase and Reverse Re-purchase agreements
- Treasury Bills and Treasury Bonds
- Debentures
- Commercial Papers
- Foreign Currency Bank Note Operations
- Equity Investments
- Unit Trust Investments

Enhancing and increasing digital adoption complementing the physical footprint is the Bank's digitally-driven growth strategy, intensified since 2024, encouraging a strategic shift toward digital channels as a win-win for both customers and the Bank. The Bank's digital presence for retail customers is powered by UBgo, which offers the services through UBgo which facilitates mobile and online banking. The online banking platform is accessible through the Bank;s corporate website. Together, they provide retail customers with secure, convenient anytime–anywhere banking; whilst Union Bank BizDirect, is its online banking platform for Corporates and SMEs.

The Bank further enhanced the functionality of BizDirect by introducing access to the LankaPay Government Payment Platform; enabling business clients to execute government-related payments seamlessly through a single integrated interface. Throughout the year, the Bank continued to strengthen its Payments and Cash Management solutions, embedding process efficiency, reliability and speed into its digital offerings.

Growth in Digital Adoption in 2025

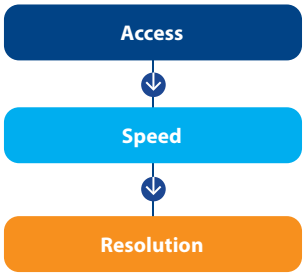
BizDirect facilitated transactions exceeded LKR 229 Bn in value, supporting a customer base of over 1,000 businesses

UBgo facilitated transactions over LKR 76 Bn

Social and Relationship Capital

Commitment to Service Excellence

With relatively smaller customer bases, Union Bank has the opportunity to provide a high-level of personalised attention, making customer service quality a critical differentiator for the Bank. The Bank's Customer Experience Unit (CX) works closely with all service touchpoints to ensure that customer feedback is addressed efficiently, the required service levels are maintained and that Turnaround Times (TATs) consistently meet established standards. Any deviations are promptly reviewed, investigated and escalated to the appropriate authorities for timely corrective action.



Customer Feedback

The Bank's 24-hour contact centre plays a crucial part in connectivity whilst customers are also able to communicate and provide feedback through several channels including social media, website, digital banking platforms or directly at branches. Customers can also escalate any complaint for resolution to the CBSL Financial Customer Relations Department (FCRD) or to the Financial Ombudsman (FO).

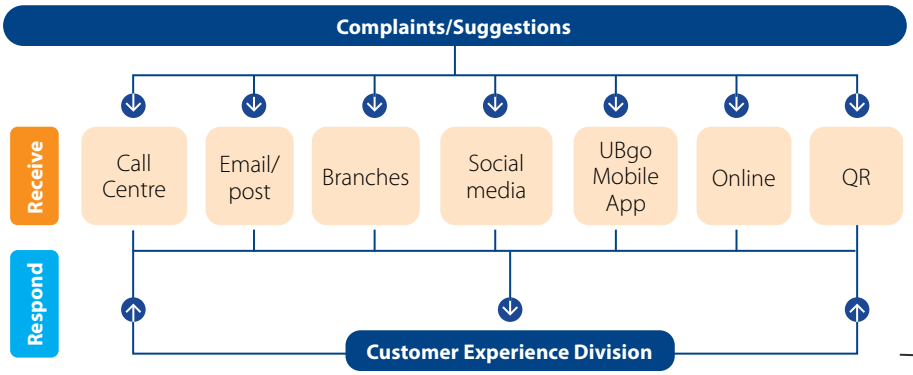


Further, focusing on enhancing internal customer service, the Bank implemented 'CSAT' initiative. As part of this, an internal service-standards feedback questionnaire was made mandatory for branch and branch related departments to evaluate the service they receive from their colleagues at Head Office, encompassing business units, centralised services and support services.

Customer Complaint Handling

The following are highlights of significant improvements achieved in service delivery during the year:

- Implemented several feedback mechanisms including QR-codes at various customer touch-points for customer feedback
- Revamped the Service Quality Unit placing it under the marketing function, expanding it to cover CX to give fresh impetus to customer service management
- Enhanced the Contact Centre infrastructure and resources
- Conducted targeted training programmes for frontline staff (branches, contact-centre) on customer-service excellence, complaint handling, value-added interactions (upsell/cross-sell) and digital-channel awareness, so that staff are more capable of delivering 'service excellence'
- Reduced manual processes and enabled faster resolution: by digitising complaint logging, enabling dashboard-escalation, and aligning service units for CX rather than purely operations improving responsiveness to customer issues
- Introduced a routine review of high-risk or escalated complaints at the Independent Risk & Management Committee (IRMC) ensuring that systemic issues are identified and addressed



Customer Experience

100%
FO and FCRD complaints resolved on time

70%
Complaints resolved within the TAT of 7 working days

Contact Centre

90%
Response rate on customer calls

80%
Service agility on customer inquiries



Enhancing UBgo as the primary Digital delivery channel

The UBgo App, was upgraded this year with several new features unveiled to enhance customer convenience and speed of transactions. UBgo is now enhanced to onboard new customers through VKYC (Video verification to meet KYC regulations) ; thus enabling instant account opening and eliminating the need for physical presence at a branch. The app is also made more user friendly for the older generation of customers and has the added convenience of a 'Call Bank' option for further assistance. UBgo will continue to evolve as a future-ready digital solution aligned with changing customer needs and market dynamics.

Disclosure 417-1

Responsible Marketing

Reflecting its commitment to open and transparent communications, the Bank ensures that all marketing content is developed responsibly and in compliance with CBSL guidelines. This approach enables customers to receive timely and accurate information about the Bank's products and services, empowering them to make informed financial decisions that strengthen their financial security.

All marketing materials are created in alignment with CBSL's mandatory product disclosure requirements. Using a mix of Above-the-Line (ATL) and Below-the-Line (BTL) channels, the Bank develops customised communication tailored to diverse customer segments. As part of this commitment to accessibility and inclusivity, all product-related marketing content is published in English, Sinhala and Tamil.

Union Bank's sales teams are also trained to guide customers in selecting products that best match their financial needs, while clearly explaining associated risks where relevant. The Bank's corporate website is regularly updated to provide the latest information on products and services, including deposit and lending rates, foreign exchange rates, credit card offers, branch operating hours and customer notices.

In recent years, the Bank has increasingly leveraged social media platforms to expand outreach and enhance product awareness. During the year under review, targeted digital campaigns were executed on social media and digital platforms with emphasis given to Mortgage Loans, Credit Cards, Pawning and Leasing. They also included profiling of our senior management team on the popular digital magazines. The campaigns carried out during the year include the following:

- Big Wins Campaign to promote UBgo registrations and usage
- Home Loan Plus - promoting zero down payment
- Launch of Junior Elite savings proposition for children
- Launch of Power H.E.R, the women banking proposition
- Launch of Turbo Draft for vehicle leasing
- Introduction of the Gold Loan with higher advances
- Lifestyle offers from Credit Cards
- Enhancing Corporate image, profiling of Corporate Management on Bank's growth journey











Social and Relationship Capital

Disclosure 418-1

Strengthening Security of Customer Data

In 2025, the Bank achieved a significant milestone by obtaining the latest Payment Card Industry Data Security Standard (PCI DSS) certification v4.0.1, which also marked the Bank's 10th consecutive year of PCI DSS compliance. In addition, the Bank has maintained its ISO 27001:2022 certification, aligned the information security incident management practices to the latest ISO 27035 Standard and aligned the business continuity management practices to ISO 22301:2019 Standard which stands as a testament the Bank's unwavering commitment to upholding the highest standards of data security and business continuity management.

Amidst rapidly escalating information security threats worldwide and across platforms, the Bank continued to strengthen its Governance framework and monitoring mechanisms. During the year, new policies were introduced to guide the secure implementation of new systems.

We also expanded the scope of our monitoring activities to cover all key information assets, ensuring comprehensive oversight and protection. Regular vulnerability testing of systems is carried out as an essential component of our cybersecurity strategy, enabling the Bank to identify weaknesses proactively and implement timely remedial measures.

The Bank's security measures include the secure storage of mandatory customer information collected through KYC forms. All such data is maintained within the Bank's archives, which are safeguarded by multiple layers of protection both physical and electronic, to prevent unauthorised access. These controls are reinforced through clearly defined disciplinary procedures designed to ensure employees adhere to the Bank's privacy commitments.

In addition, the Bank's Privacy Policy, published on the corporate website, outlines the protocols in place to protect customer information collected online. Training and awareness are integral components of Union Bank's approach to privacy protection; regular sessions are conducted to ensure employees understand the importance of confidentiality and their responsibilities in upholding customer privacy. Given the rapidly increasing threat of cyber financial crimes, the Bank also continues to keep its customers and the public reminded of the need to ensure financial security. Social media platforms, posters at branches and SMS campaigns continued to create awareness on safety.

There were no reported incidents of customer privacy breaches during the financial year.

While preventive measures remain a priority, in the year ahead the Bank will also strengthen its Incident Management framework to ensure a structured and effective response in the event of a security breach. This will include clear procedures for detection, containment, investigation, communication and recovery, further reinforcing the Bank's resilience against emerging threats.

Customer Engagement and Communication

The Bank embarked on an integrated approach to enhancing its brand presence. All 56 branches and over 100 ATMs & CRMs across the country were rebranded whilst bold marketing campaigns were launched to complement an expanded product suit which offers a full spectrum of retail financial solutions. Gen Z is a key focus group of the Bank and as such we have shifted most of our communique to digital platforms such as YouTube, TikTok and Facebook to create a seamless connection between the Bank and our preferred customer segments.

The Bank Credit Cards offered targeted lifestyle and segment-specific promotions in partnership with various merchants throughout the year.

UB Mind Marathon :A Dynamic Engagement with our Corporate Banking Clients

The Bank hosted a novel customer engagement event in April this year the UB Mind Marathon Quiz Competition, which saw enthusiastic participation from a wide range of Bank's corporate customers.

Strategic Partnerships for Value Creation

Strategic partnerships that expand the Bank's access to retail lending opportunities and deepen engagement across key ecosystems are an important building block of the Bank's value creation and social and relationship capital. Through these collaborations, the Bank strengthens market reach, enhances customer access, and delivers tailored financial solutions aligned with evolving customer needs.

The Bank has established partnerships with Sri Lanka's leading property developers and selected private higher education institutions to provide customised financial solutions for aspiring students and home owners. In addition, the Bank has partnered with several leading automobile dealers to offer a comprehensive range of vehicle financing solutions. During the year, 14 new MOUs were signed increasing the total to 24 partnerships.

Suppliers Disclosure 2-6

The Bank recognises that strong, collaborative relationships with suppliers and service providers are essential to the stability and efficiency of its value chain. It fosters these partnerships through a centralised procurement process and the adoption of robust procurement best practices that emphasize transparency, fairness and long-term value creation. By engaging responsibly with its supplier network, Bank ensures that the products and services supporting its operations align with the Bank's standards for quality, sustainability and ethical conduct.

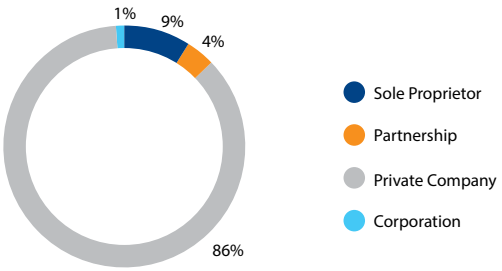
While the Bank predominantly works with local suppliers in Sri Lanka, international vendors are engaged as needed, such as for sourcing IT systems.

The Bank's Procurement Policy, governed by the Procurement Committee, ensures fair and equitable procurement practices among all suppliers. The key objectives of the policy are to:

- Maximise economy, timeliness and quality in procurement, ensuring the best value proposition for the Bank.
- Ensure fairness, transparency and consistency in the evaluation and selection of suppliers.

The Procurement Policy establishes clear guidelines for the supplier registration process. In accordance with the policy, the supplier registry is updated every two years by inviting suppliers to register under 26 distinct categories. Suppliers wishing to register in multiple categories must submit separate applications for each category.

Segregation of Suppliers as per the Supplier Type



Procurement is conducted through a tender process, in which registered suppliers are invited to submit bids. This process ensures a level playing field, allowing all suppliers to be evaluated fairly and transparently. However, suppliers who repeatedly fail to submit quotations or consistently delay deliveries, risk being blacklisted by the Bank's Procurement Committee, reinforcing accountability and reliability within the supplier network.

Disclosure 408-1, 409-1

Union Bank does not engage with any supplier whose operations deploy child labour or are at risk for forced or compulsory labour. There have been zero incidence of child labour and forced or compulsory labour identified in the bank's value chain.

Disclosure 204-1

Sourcing from Local Suppliers

Value of Total Procurement			
		2025	2024
Western Province	Rs. Mn.:	3,323.3	2,463.5
	%	80	79
Across the island	Rs. Mn.:	847.3	655.6
	%	20	21

Union Bank has established strong and enduring relationships with key suppliers across its value chain, with procurement best practices in place to ensure that all suppliers meet the Bank's procurement standards. These practices support consistency, transparency and reliability across the value chain, contributing to efficient operations and sustainable value creation. The Bank strives to increase its economic footprint in the regions it services by procuring locally within each region when possible.

Social and Relationship Capital

	Bank Suppliers Categorised by Registration Type & Geography	Location (Sri Lanka)
1	Janitorial services	Across the island
2	Messenger (Office Assistants) services	Western Province
3	Security services	Across the island
4	Courier services	Western Province
5	Supply of foliage plants and flowers	Western Province
6	Pest control services	Across the island
7	Supply of ATM consumables	Western Province
8	Supply of toners/ribbons/fax cartridges	Western Province
9	Supply of envelopes/registers/ledger binders/rubber stamps	Western Province
10	Printing of security documents such as cheque books, vouchers etc	Western Province
11	Supply of printing of stationery items /Plastic material/Advertising materials	Western Province
12	Statement printing (pressure seal) and dispatching	Western Province
13	Banking Equipments	Western Province
14	Telecommunication equipments and accessories (mobile phones, iPads, chargers etc.)	Western Province
15	Supply and maintenance of security related equipment (fire extinguishers, CCTV cameras, police alarm, guard tour system etc.)	Across the island
16	Office furniture including bank safes, lockers, Steel cupboards	Western Province
17	Waste paper collectors	Western Province
18	Movers/ goods & safes transporters	Western Province
19	Suppliers of vehicles on hire (vans/cars/three wheelers)	Western Province
20	Services & maintenance of office equipment (photocopy,fax machines etc)	Western Province
21	IT equipment/hardware,networing equipment	Western Province
22	Complimentary & public materials	Western Province
23	Gift Items	Western Province
24	Civil construction & interior/exterior decor, architecture	Across the island
25	Electrical contractors	Across the island
26	Supply of sanitary items	Western Province

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

Our Existing and Proposed Commitment to Sustainable Business Practices

Measurement	Status
Non-compliance with laws & regulations	No incidents were recorded during the year
Legal action against the bank for anti-competitive behavior, anti-trust and monopoly practices	
Incidents of non-compliance concerning marketing communication	
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	
Incidents of non-compliance concerning product and service information and labelling	

Community

At Union Bank, we believe that a community is best served by supporting its economic resilience through access to capital. To this end the Bank introduced products such as Pawning, Gold Loans, Turbo Drafts etc. to its customers giving them better access to capital. We also believe that longer term development is rooted in education related to business management and development, hence the launch of its flagship programme Union Bank School of Social Entrepreneurship (UBSSE).

During the year, the Bank, partnered with the University of Moratuwa and the National Innovation Agency to launch the National Entrepreneurship Development Programme (NEDP), a nationwide initiative aimed at upskilling and empowering entrepreneurs. This programme now stands as the Bank's flagship social sustainability initiative.

Fostering Innovation and Entrepreneurship Through UBSSE's NEDP Programme

The Union Bank School of Social Entrepreneurship (UBSSE), the Bank's groundbreaking, socially sustainable initiative was launched in 2024 with a mission to empower both aspiring and existing entrepreneurs. The programme provides structured training, knowledge-sharing, and skill development to business owners and individuals with innovative and viable business ideas, equipping them to transform those ideas or their businesses into viable enterprises that generate economic and social value. While many potential entrepreneurs possess creativity and vision, they often lack the management capabilities required to launch and sustain their own businesses. UBSSE was established to bridge this critical gap.

As its first initiative during the year, UBSSE commenced the National Entrepreneurship Development Programme (NEDP) – a milestone public-private partnership providing academic, financial and innovation leadership; conducted in partnership with the University of Moratuwa and the National Innovation Agency (NIA). Following a call for applications in December 2024, 200 candidates were shortlisted. The inaugural cohort includes both current business owners and young innovators with promising startup concepts. One programme was completed during the year whilst the second phase began in November. The programme features a comprehensive curriculum delivered through a blend of workshops and online lectures and covers topics such as Strategic Development, Marketing & Branding, Labour Law, Business Planning, Accounting & Finance, Compliance, Intellectual Property and Leadership. The programme also provides a platform for the Bank to share information on its banking solutions as part of the workshops.

This marks the beginning of the Bank's long-term journey to upskill entrepreneurs and nurture a vibrant entrepreneurial ecosystem in the country. Additionally, the programme has the potential to connect participants to funding opportunities, positioning it as a holistic, business-integrated social sustainability initiative.



Union Bank partnered University of Moratuwa for the National Entrepreneurship Development Programme

The Year Ahead

- Enhancing customer service across all segments will remain a central pillar of the Bank's strategy, supported by continuous improvements in service quality, responsiveness, and customer experience.
- The Bank will continue to prioritise the expansion of its SME/Retail business through the ongoing development of differentiated products and delivery channels, while deepening engagement with both existing and prospective retail customers. In parallel, focused efforts will be directed toward strengthening relationships with corporate clients through sector-specific solutions designed to address evolving business needs.
- As the banking industry continues to transition towards a more technology driven and personalised model, particularly within the SME segment, Union Bank is well positioned to capitalise on emerging opportunities in this evolving market landscape.
- The successful execution of Business Process Re-engineering (BPR) initiatives is expected to progressively free up employee capacity for higher value-added activities, enhancing customer service, improving operational efficiency and supporting disciplined cost management.
- The Bank will further advance its digital banking capabilities to remain agile, innovative and responsive to changing customer expectations and market dynamics, reinforcing its position for sustainable growth.
- In its engagement with suppliers, the Bank will progressively embed ESG principles into supplier selection and procurement processes, strengthening responsible sourcing practices and aligning partnerships with the Bank's sustainability strategy and values.
- In the area of community engagement, the Bank will seek to further position the Union Bank School of Social Entrepreneurship (UBSSE) as a holistic, business-integrated, socially sustainable platform. This will be complemented by branch-led initiatives tailored to local community needs, enabling more targeted and meaningful community upliftment across the Bank's footprint.

INTELLECTUAL CAPITAL

Growing Stronger through knowledge, insight and digital innovation that unlock new frontiers of growth.

Intellectual capital is central to Union Bank's long-term value creation and competitive advantage. Anchored by a strong and evolving brand identity, the Bank's strength as a knowledge-driven financial institution lies in the collective capability of its people, systems, processes, relationships and organisational culture. Together, these elements foster innovation, enhance service excellence and support sustainable growth in an increasingly digital and competitive banking landscape.

Capitals Impacted

Sustainable Development Goals (SDGs)



Strategic strides in 2025

- Union Bank was placed amongst the '100 most valuable brands' in the country.
- Our social media presence grew significantly.
- Bank further strengthened security and operational resilience by aligning with several other global standards that complement ISO 27001.
  - ISO 27035 Information Security Incident Management.
  - ISO 22301 (for Business Continuity Management) and ISO 20000

Management Approach

Union Bank's principal approach to developing Intellectual Capital focuses on strengthening each component individually, while simultaneously enhancing the synergy among them. This integrated development ensures a more cohesive and robust intellectual capital base, ultimately enabling the Bank to establish a distinct and sustainable competitive advantage over its peers.

Brand Equity

In 2025, Union Bank's brand equity continued to strengthen as a key component of its Intellectual Capital, contributing meaningfully to the Bank's overall value-creation model. The Bank's inclusion among Sri Lanka's Top 100 Most Valuable Brands by Brand Finance in collaboration with Echelon and being ranked amongst the Top 100 listed companies by LMD demonstrates the increasing recognition, trust and relevance the brand commands within the market. These rankings reflect Union Bank's financial performance, market recognition and customer relationships that underpin its brand promise of "Transforming Lives."

Overall, the Bank's expanding brand equity represents a critical enabler of its strategic ambition to become one of Sri Lanka's top five banks by 2029, supporting market differentiation, stakeholder confidence and sustained value creation across the Bank's broader capital base.

In addition to the Bank's established brand identity, the UBgo mobile app, now offering a fully upgraded suite of customer services is gaining traction. Its catchy name that conveys 'dynamic' and 'on the go,' is

increasingly contributing to Union Bank's brand value. As a digital innovation, UBgo not only enhances customer experience but also strengthens the Bank's Intellectual Capital by embodying technological capability, innovation and a forward-looking service culture.

Presence on Social Media

Our social media footprint has emerged as a key branding and customer attrition channel and is increasingly recognised as part of the Bank's Intellectual Capital. The growth of these channels reflects the Bank's ability to leverage digital platforms as strategic assets that strengthen brand equity, foster stakeholder trust and support long-term value creation.

Reinforcing Security, Reinforcing Trust

As digital transformation reshapes the financial sector, ensuring customer data security and building and maintaining trust have become more critical than ever. Thus, a Bank's ability to safeguard sensitive information and provide secure financial services is a key driver of customer trust and confidence and its brand equity, and also a determinant of its appeal to new customers.

In 2024 Bank became the first Sri Lankan bank to achieve PCI-DSS 4.0 certification, marking a significant milestone in its commitment to maintaining the highest standards of payment security. This certification was successfully renewed in 2025. The certification demonstrates that the Bank has strong controls over sensitive payment data, reduced risk of breaches, higher customer trust, and is aligned with global practices for cyber security.

In addition, the Bank is also ISO 27001 – Information Security Management Systems certified, ensuring that the Bank has a structured and well-governed approach to identifying risks, implementing controls and monitoring security performance. The standard follows a Plan–Do–Check–Act (PDCA) cycle, ensuring the Bank continually reviews and enhances its security measures in response to evolving threats. The Bank is among a selected group of banks in Sri Lanka to have achieved both ISO 27001 and PCI-DSS 4.0 certifications, underscoring its strong commitment to safeguarding customer data, strengthening cyber resilience and maintaining trust across its digital ecosystem.

During the year, the Bank further strengthened security and operational resilience by aligning to several other global standards that complement ISO 27001:

- ISO 27035 Information Security Incident Management which enhances the Bank's ability to detect and contain threats promptly, minimize operational disruption, to learn from incidents through post-incident reviews and to continuously improve incident response capabilities.
- ISO 22301 (for Business Continuity Management) alignment reinforces the Bank's ability to maintain critical functions during unforeseen disruptions, including cyber incidents, system failures, natural disasters or market shocks.
- ISO 20000 which has strengthened the Bank's IT Service Management (ITSM) framework, ensuring the delivery of reliable, efficient and customer-centric technology services. It is enabling the Bank to standardise IT processes and service levels, improve service quality and incident resolution, enhance change management and reduce operational risks, and support its digital transformation journey through consistent and robust IT governance.

In addition to its ISO-aligned frameworks, the Bank partners with independent specialist firms to conduct regular penetration testing, ensuring ongoing assessment of vulnerabilities and reinforcing its cyber security defenses. These measures enhance the Bank's resilience, protect stakeholder data and contribute directly to strengthening customer trust a key component of long-term value creation.

System, Processes & Digitally-Driven Culture

Following the revitalisation of our brand in 2024, Bank's key strategic focus during the year under review was to automate processes and enhance efficiencies. Upgrades to several of our hardware facilitated enhanced customer experience across multiple channels, the re-engineering of our processes and the conversion of the manual to automation. The optimisation combined with the streamlined and strengthened processes have thus bolstered our Intellectual Capital.

During the year, the Bank also gave priority to strengthening its core business functions, including recovery, business development, credit underwriting and deposit mobilisation. It augmented these areas with new talent, specialised training, and targeted capacity building, ensuring stronger expertise and improved execution across critical operations. In parallel, process enhancements and system refinements were introduced to improve credit evaluation discipline, accelerate recovery cycles, and support more efficient customer acquisition and deposit growth. These combined improvements, in both human capabilities and organisational processes have reinforced the Bank's operational effectiveness, improved portfolio quality, and contributed to a more resilient and performance-driven Intellectual Capital base.

Strengthening our Intellectual Capital Through Digital Adoption

In 2025, the Bank strengthened its Intellectual capital further by accelerating the adoption of digital channels among Corporate and SME customers, with a focus on enhancing payment automation, operational efficiency and overall customer experience. Union Bank BizDirect, the Bank's digital banking platform for Corporate and SME clients, continued to serve as a core capability, facilitating transactions exceeding LKR 229 Bn. in value and supporting a customer base of over 1,000 businesses.

Intellectual Capital

The Bank further enhanced the functionality of BizDirect by introducing access to the LankaPay Government Payment Platform, enabling business clients to execute government-related payments seamlessly through a single integrated interface. Throughout the year, the Bank continued to strengthen its Payments and Cash Management solutions, embedding process efficiency, reliability and speed into its digital offerings.

Ongoing enhancements focused on simplifying workflows, accelerating transaction processing and integrating the Bank's digital platforms more closely with client systems. These initiatives reinforce the Bank's intellectual capital by embedding digital know-how, scalable systems and process innovation into its service delivery model, supporting long-term value creation for Corporate and SME customers.

Strategic Alliances and Partnerships Which Strengthen our Intellectual Capital:

The Bank has formed strategic partnerships with a diverse range of organisations, from business chambers such as the Ceylon Chamber of Commerce and the National Chamber of Commerce, to academic institutions such as the University of Moratuwa to retail chains such as Cargills Food City and international organisations including the Asian Development Bank (ADB). In addition, the Bank derives cost optimisation through out sourced arrangements with strategic partners who have the skills and expertise in related areas to support the Bank's services. These partnerships strengthen the Bank's Intellectual Capital by enabling knowledge sharing, industry collaboration, innovation and expanded access to expertise and networks that enhance long-term value creation.

Strategic Partnerships Supporting our Innovative Financial Solutions:

Furthermore, our strategic partnerships enable the development of innovative and customised financial solutions. Collaborations with Sri Lanka's leading property developers have supported the design of tailored housing finance propositions that address evolving customer needs across the home ownership lifecycle. These partnerships have enabled the Bank to expand and refine its suite of personal and housing loan offerings, embedding market insights into product structures and credit solutions.

In parallel, the Bank has entered into Memorandum of Understanding (MoU) with prominent educational service providers to enhance its student loan proposition. These collaborations have facilitated the development of customised financing solutions that improve accessibility and affordability, supporting aspiring students in achieving their educational objectives while strengthening the Bank's product innovation capabilities.

The Bank has also established partnerships with leading automotive dealers, enabling the creation of a comprehensive range of vehicle-financing solutions. Insights gained through these collaborations continue to inform product design, pricing and delivery models reinforcing the Bank's ability to respond dynamically to customer demand.

Collectively, these partnerships contribute to the Bank's intellectual capital by translating market knowledge, innovation and solution design into scalable financial products that support sustainable growth and long-term value creation.

Disclosure 2-28

Membership in Associations

The Bank holds general membership in several sectoral, industrial and professional organisations and associations. Details of the Bank's corporate memberships with relevant associations are provided below.

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



The Year Ahead

- Collaboration as the norm
- Elevate service excellence as a defining attribute of the Union Bank brand
- Deepen digital penetration across customer segments and delivery channels
- Advance re-engineered systems and processes to create a more agile, efficient and scalable digital banking platform
- Strengthen customer data analytics capabilities to enable deeper insights, personalised offerings and improved decision-making
- Continuously enhance data security and customer information protection to safeguard trust and resilience
- Embed a robust ESG agenda across the business to support sustainable growth and long-term value creation

NATURAL CAPITAL

Growing Stronger …responsibly

Bank is committed to driving a conscious integrated strategy that seeks to orient financing and its operations towards activities that avoid harm and actively conserve and restore the natural environment

Capitals Impacted

Sustainable Development Goals (SDGs)



Strategic strides in 2025

- Sustained efforts to build internal capability on sustainable finance yielding a 33.5% increase in loan portfolio aligned to Sri Lanka Green Finance Taxonomy
- With the Environmental and Social Risk Management System (ESMS) being operationalised since Q4 2024, 91% of the Corporate Banking loan facilities granted or reviewed during the year have been assessed with an ESG rating

Union Bank (UB) recognises that the quality of life and prosperity of its current and future stakeholders are intrinsically linked to the wellbeing of nature and society. While the Bank's direct environmental footprint is relatively low, arising mainly from modest resource consumption typical of the financial services sector, we acknowledge that our indirect environmental impact can be far more significant. This is particularly true in relation to our lending and financing activities, which may support sectors with substantial interactions with the natural environment. As such, the Bank places strong emphasis on understanding, managing, and mitigating these indirect impacts as part of its commitment to responsible and sustainable banking.

We also recognise that challenges of climate change, loss of biodiversity and nature, and environmental pollution, impacts quality of life, and the magnitude of these challenges transcends organisational and geopolitical boundaries, requiring collective action from individuals, organisations, countries and international community.

Against this backdrop, a comprehensive environmental strategy forms a key pillar of UB's sustainability strategy. Summarised below are the key elements of the Bank's environmental sustainability agenda.

Natural Capital

Environmental & Social Risk Management System (ESMS)	Environmental and Social Due Diligence Enhanced Climate Risk Assessments Training & Capacity Building
Green Financing	Renewable Energy, Energy Efficiency and EV Transition Financing Financing Climate Smart Agriculture
Operational Resilience and Footprint Reduction	Resource Efficiency including Energy, Water and Paper-Use Management Employee Awareness Creation
Partnerships & Collaborations	SLBA Sustainable Banking Initiative PCAF Membership UNEP V20 Sustainable Insurance Facility
Sustainability Culture & Performance Management	Green Awards Employee Engagement



Disclosure 2-25

Processes to Remediate Negative Impacts

Supporting Clients Through Environmental & Social Risk Management:

Whilst the Bank had a Board-approved Environmental and Social Risk Management System (ESMS) Policy in place from October 2023, the operationalisation of this policy commenced from May 2024 following the establishment of a dedicated Sustainability Unit. The Unit conducted capacity building amongst the business, credit and risk functions to embed ESMS requirements.

Business segments began screening new loan facilities as well as facilities subject to annual review, using an Environmental and Social Due Diligence (ESDD) tool developed by the International Finance Corporation (IFC), which assigns environmental and social risk ratings of low, medium, or high based on a structured questionnaire. The Corporate Banking segment led implementation in December 2024, followed by the SME Banking segment in January 2025. The client engagements during due diligence and post disbursement monitoring and review are intended to enhance resilience of clients and their resource efficiency – enabling both benefits to the clients while ensuring environmental conservation.

By mid-2025, when reviewing progress at the Executive Committee on Sustainability, it was identified that less than 60% of these new and reviewed loans had been screened based on the IFC ESDD risk rating tool. Recognising the need to provide further in-depth understanding for the Corporate and SME Relationship Managers, especially in relation to real sector industry impacts on the environment at a subnational level (i.e. provincial profiles including major industries in each province, their environmental impacts as well as climate and biodiversity risks that could affect these industries), the Bank sought the expertise of Institute of Environmental Professionals of Sri Lanka (IEPSL) to conduct an intensive, full-day



training programme. This programme was conducted on 14th July 2025 with 44 staff members directly involved in ESMS functions in SME, Corporate, Credit and Risk functions attending the training. Programme was also a refresher on the applicable environmental laws and regulations including EIA and EPL - related regulations. It also touched on some of the Strategic Environmental Assessments conducted and on the National Physical Plan of Sri Lanka, so that a more holistic understanding could be had by the relevant functional staff.

Despite the capacity building initiatives, the coverage of the business loan portfolio in terms of E&S Risk Assessment remained below 60% of the portfolio during the year. Efforts are underway to improve data capture through enhancements to the Bank's loan origination system and core banking systems, which are expected to enable more routine and in-depth review of environmental and social risks across the portfolio.

Grievance redress mechanisms in place also enable stakeholders to raise their concerns on environmental and social-related issues, including impacts from activities financed by the Bank through the Bank's complaint handling process that would be reviewed at the Executive Committee on Sustainability. During the year under review, there were no environmental and social grievances reported in relation to negative impacts from the Bank's financed portfolio.

Sustainable Finance Performance and Strategy

The Bank articulates its commitment to sustainable financing through its Board-approved Sustainability/ESG Policy, which has been developed in alignment with the Central Bank of Sri Lanka's Sustainable Finance Roadmap . Guided by this framework, all major business lines have been assigned lending targets across identified priority sectors and sub-sectors, with special credit lines and concessionary interest rates made available to eligible customers.

UB places strong emphasis on climate-aligned financing, particularly in the areas of renewable energy, energy efficiency, and the Electric Vehicle (EV) ecosystem. Accordingly, it actively collaborates with various stakeholders to build market capacity and mobilise the financing required to advance the national transition toward a low-carbon economy.

Complementing these efforts, the Bank places strong emphasis on continuously enhancing its mainstream product offerings, across both asset and liability portfolios, to support a broader customer base in transitioning toward sustainable consumption and environmentally responsible financial choices.

Green Finance Taxonomy	Dec 2025 (in LKR Mn)	Dec 2024 (in LKR Mn)	Dec 2023 (in LKR Mn)
Sustainable Agriculture and Forestry	116.02	287.66	301.49
Sustainable Manufacturing Operations	246.70	49.09	72.62
Renewable Energy	1,181.25	953.02	1,478.58
Sustainable Transport and Storage	245.37	243.47	204.15
Sustainable Construction	176.44	28.74	28.50
ICT for Sustainability	27.84	5.77	21.81

The total green finance loan portfolio as of 31st December 2025 was LKR 2.11Bn compared to LKR1.58 bn in 2024, which signifies a 33.5% increase in loan portfolio exposure. Despite the uncertainty surrounding feed-in-tariffs and curtailment of renewable energy absorption to the national grid on Sundays, the Bank continued to engage clients and expanded its renewable energy portfolio from LKR 953.02 Mn to LKR 1,181.25 Mn. during 2025.

During the year, the Sustainability Unit conducted several capacity-building programmes to enhance employee awareness and capability in applying the Sri Lanka Green Finance Taxonomy, with the objective of improving the accuracy of disclosures. This followed a detailed verification of a limited portfolio in Q1 and Q2 of 2025, which identified potential under-reporting of taxonomy-aligned green financing due to gaps in understanding among frontline staff. The portfolio review also identified eight loans that did not meet the taxonomy's threshold requirements but had been incorrectly classified as taxonomy-aligned; these exposures were subsequently removed from the taxonomy-aligned portfolio.

In addition, capacity-building programmes conducted by the Asian Development Bank (ADB) for the banking sector on the Green Finance Taxonomy between September and October 2025 further strengthened the Bank's internal capabilities, with 23 staff members from across the branch network participating.

Natural Capital



To bolster the sustainable financing efforts of the Bank, an interactive dialogue was held in November 2025 led by CEO, Chief Business Officer and Executive Management with business teams and industry experts (from Sri Lanka Banks' Association and The Ceylon Chamber of Commerce), development partners (UNDP and UNIDO) and client representative (from Hayleys PLC) to discuss on emerging sustainable finance opportunities in renewable energy, energy efficiency, sustainable built environment and EV infrastructure alongside climate adaptation financing especially value chain financing in food sector. This dialogue further reinforced Bank's approach to climate financing as presented in detail on Pages 48 to 50.

Proactively Managing Bank's Direct Environmental Footprint and Strengthening Operational Resilience

Building on from the initial momentum created with the formation of dedicated digital, business process re-engineering and sustainability functions in 2024, the Bank continued to focus on digital transformation and resource efficiency efforts in 2025. The increased focus on digital led to the closure of five branches by Q4 2025 that will translate to significant reductions of resource footprint from FY2026.

During the year, UB made notable progress in its ESG journey by reaching consensus with its two subsidiaries - to establish baseline data for the Group's greenhouse gas (GHG) footprint, assess financed portfolio alignment with the Sri Lanka Green Finance Taxonomy and ensure conformance with UB's ESMS and safeguard requirements, despite the two subsidiaries not being legally required to immediately comply with SLFRS S1 and S2.

Disclosure 302-1, 302-3

Energy Consumption

Union Bank's largest source of energy is the national grid. The consumption during the past two years is given below in '000 kWh .

	2025	2024	% Change
Electricity Consumed at Head Office kWh	845.22	862.69	-1.4%
Electricity Consumed by Branch Network and Other Offices	1,905.51	1,841.6	3.5%
Electricity consumed by the ATM network and CRM machines	264.3	186.77	41.5%
Total	3,020.65	2,891.06	4.5%

In terms of energy intensity, the Bank's average electricity intensity across its branch and office network in FY 2025 was 127kWh per square metre per year, compared to 119 kWh/m^2 in FY 2024. During the first half of 2025, internal energy audits were conducted at selected branches in the North Western region, with particular focus on the Narammala branch, where electricity consumption in FY 2024 exceeded the Sri Lanka Sustainable Energy Authority's specific energy benchmark of 180 kWh/m^2 per year.

The audits identified air-conditioning usage patterns as the primary driver of elevated electricity consumption. Following targeted awareness initiatives at the Narammala branch, a significant reduction in electricity usage was achieved, leading to the branch receiving a Green Award for the highest reduction in electricity consumption. The Narammala branch was subsequently closed in Q4 2025.

In addition, reviews conducted by the Executive Committee on Sustainability noted that increases in electricity consumption across certain branches were partly attributable to higher business volumes during the year.

The Bank used 6,847 litres of diesel for back-up generators. The leased vehicle fleet used 6,960 litres of diesel (approx. 16% increase YoY) and 11,478 litres of petrol (approx. 0.3% increase). As a measure to reduce use of fossil fuels, the Bank invested in 4 new BYD EVs. Bank also engaged with CodeGen to explore the feasibility of installing EV fast charger at its Elite Center and is exploring different modalities including shared investment with the property owner of the building.

The total energy usage from all sources including electricity was 11,806.3Gj.

Paper and Material Consumption

During the year under review, the Business Process Re-Engineering (BPR) team, in collaboration with other internal functions, identified and eliminated 13 manual registers and streamlined several mandates and application processes. A significant reduction in paper usage was also achieved

within the Human Resources Department through the adoption of digital devices for recruitment processes and the e-filing of all documentation, including electronic personal files. These efforts resulted in 36% reduction in paper consumption during the year. The Bank also piloted the use of e-signatures across several functions and initiated the procurement of an e-signature platform to enable digital approvals Bank-wide from Q1 2026.

In addition, controls were introduced for A4 paper issuance following an analysis of historical consumption trends. As a result of these process improvements and control measures, the number of A4 paper bundles issued declined from 5,406 bundles in FY 2024 to 4,796 in FY 2025, while total print volumes were reduced from 328,682 per month in January 2025 to 258,548 per month in December 2025. Bank recycled 3,140kg of paper during the year with Neptune Recyclers

Emissions

Climate Action -Commitment to Net Zero

In 2024, the Bank pledged its commitment to achieving Net Zero emissions by 2030 for its Scope 1 and Scope 2 emission categories. In line with this commitment, the Bank began quantifying its Scope 1 and Scope 2 emissions in 2024 and continued this effort during the year, with plans underway to expand measurement to include Scope 3 emissions as the next phase of our climate impact assessment.

In April 2025, UB became a member of Partnership for Carbon Accounting Financials (PCAF) – a global partnership of banks and other financial institutions, which provides a standard to measure and report all their Green House Gas (GHG) emissions associated with their loans and investments. In December 2025, bank gained access to the JIM Foundation tools to further ease the calculation of financed emissions. Bank is availing the transition reliefs provided for disclosure of financed emissions for SLFRS S2 adoption roadmap in Sri Lanka, but will continue its decarbonisation/transition linked financing focus in being informed by the financed emissions calculations.



GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd

Ministry of Environment

Organization Level GHG statement developed by

Union Bank of Colombo PLC

No 64, Galle Road, Colombo 03, Sri Lanka

complying with the requirements of ISO 14064-1:2018 and GHG Protocol has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance"

Opinion No : SLCF/CFP/0489

Date of Issue : 20.02.2026

Period of Assessment : 01.01.2025 – 31.12.2025

Selected Boundary : Operationally controlled business operations of Union Bank of Colombo PLC's Licensed Commercial Bank (Head office, 60 branches & office premises and 40 off-site ATMs)

Direct GHG Emissions : 283 tonnes of CO_2 equivalent

Indirect GHG Emissions : 1,259 tonnes of CO_2 equivalent

Total GHG Emissions : 1,542 tonnes of CO_2 equivalent

Scope 1 Direct GHG Emissions : 283 tonnes of CO_2 equivalent

Scope 2 Electricity Indirect GHG Emissions : 1,259 tonnes of CO_2 equivalent

Scope 3 Other Indirect GHG Emissions : Excluded

Chairman
Sri Lanka Climate Fund (Pvt) Ltd

Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

The Bank is guided by the ISO14064-1 standard and assesses GHG emissions using Global Warming Potential (GWP) values from the IPCC 6th Assessment Report. The Average Emission Factor of 0.4173 for calculation of imported energy is based on the Sri Lanka Energy Balance 2022 published by Sri Lanka Sustainable Energy Authority. The base year for GHG emissions accounting for Scope 1 and 2 of the bank is FY2024.

Source	2025	2024
	tCO_2e	
Scope 1 (Direct Emissions):	283	267
Onsite Diesel Generators	18.44	40.08
Refrigerant Leakage/Refilling	217.79	183.20
Fire Extinguisher Leakage/Refilling	0.09	0.10
Company Owned Vehicles and Transport	45.97	43.47
Scope 2 (Indirect Emissions from Imported Energy):		
Grid Connected Electricity	1,258.17	1,238
Total Scope 1 and 2 Emissions	**1,541**	**1,505**

The increase in emissions profile of the Bank (by 2.4% YoY) is mainly due to better data capture on fugitive emissions and increase in use of electricity consumption during FY2025 due to higher business volumes.

Enhancing the Bank's climate resilience is also a key priority within the Operational Footprint, Resilience, and Operational Excellence Management Framework. This includes strengthening emergency management systems, improving disaster preparedness, and integrating disaster risk reduction measures across operational processes to ensure business continuity and resilience in the face of climate-related events.

Water Consumption

UB's water usage is primarily for purposes of personal hygiene during working hours and cleaning of business premises, vehicles and related utensils which has a minimal detrimental effect on the environment.

Natural Capital

The water sourced by the Bank is primarily from the National Water Supply and Drainage Board (NWSDB). Some of our branches source water from wells or in the case of some rented branches, common metering with the owners of the building make it challenging to make estimates. The increase of water consumption year on year from 2024 to 2025 is also in part due to improvements in data availability.

Total Water Consumption	2025	2024	% Change
By Head Office (m3)	8,102	7,703	5.2%
By Branch Network (m3)	14,520	12,410	17%
Per Employee (litres)	19,844	17,973	10.4%

Accordingly, while continuing to implement measures that minimise our own operational footprint, the Bank remains firmly committed to managing these indirect impacts responsibly by aligning its practices with sustainable financing principles and integrating environmental considerations into its credit and decision-making processes.

Towards Greener Footprints- Union Bank's Strides during the year:

Digital Strides in 2025 supporting a greener operational footprint

- Upgrades to UBgo and introduction of VideoKYC, eliminating the need for physical branch visits and paper-based information.
- Automation of internal workflows significantly reducing reliance on printed documents.
- Implementation of e-signatures, replacing many manual, paper based authorisation processes.
- Reduced requirements for physical archiving due to increased digital storage and retrieval.
- Lower dependence on courier services as documents are now shared and processed electronically.
- Enhanced efficiency has minimised night-shift requirements, resulting in reduced transport-related expenses.
- Review and restructuring of internal documentation practices across departments, ensured that printouts are only taken when absolutely necessary. HR and Legal departments now maintain largely digital employee case files, with only employee-submitted physical documents stored in hard copy.
- Provision of dual monitors for staff enabled efficient on-screen comparison of documents—particularly for legal reviews—further reducing the need for printed copies.
- Discontinued the dispatch of paper statements to account holders with all statements now provided exclusively as E-statements.



Other Ongoing Initiatives

Union Bank continues to implement several energy-efficiency and environmental initiatives aimed at reducing its operational footprint:

- Optimising air-conditioning usage: The Bank reduces fan levels on air conditioners at designated times to lower electricity consumption.
- Automated controls for exterior lighting: An automatic switch-off mechanism was introduced for neon signage and pylon lighting across the branch network, ensuring lights are turned off at 10:30 p.m. instead of remaining on throughout the night.
- Energy-efficient lighting upgrades: Seven floors at the Head Office were retrofitted with low-energy LED bulbs, contributing to significant reductions in electricity usage.
- Regular internal energy audits: The Bank's internal team continued to conduct energy audits, enabling the early detection of potential issues such as air leaks in air-conditioning units and supporting timely maintenance to prevent energy loss encompassing both Scope 1 and Scope 2 emissions

Forging Partnerships and Collaborations to Elevate our Climate Funding Efforts

Aligned with our commitment to SDG 17 – Partnerships for the Goals, UB actively explored opportunities for collaboration at international, national, and industry levels to advance the Sustainable Development Goals, with particular emphasis on climate action. In 2025, the Bank initiated engagement with UN V20 SIF and the Asian Development Bank (ADB)'s ACliFF to obtain technical assistance for a climate risk assessment of our SME portfolio; paving the way for future cooperation in valuechain financing, advisory support, and strategic partnerships.

Bank signed a Non-Disclosure Agreement (NDA) with Blue Marble Micro, technical consultant company appointed by ADB ACliFF to conduct the climate risk assessment, where substantive work is expected during 1H 2026. This climate risk

assessment of SME portfolio is anticipated to be a significant milestone for UB, strengthening our role in climate financing, risk mitigation, resilience building, and sustainable market positioning.

Through this partnership, Union Bank expects to benefit from improved access to climate finance and concessionary funding, technical assistance and capacity-building support for enhanced climate risk management, access to innovative financial instruments that support climate-aligned lending, strengthening of the Bank's Environmental and Social Risk Management (ESRM) framework, and enhanced ESG credibility and reputation as a contributor to the national low-carbon and climate-resilient transition.

We are also committed to supporting national sustainability priorities through our active participation in the Sri Lanka Banks' Association's Sustainable Banking Initiative and the Ceylon Chamber of Commerce.

Building a Sustainability Culture

During the year, the Bank launched a dedicated group of employees identified as Sustainability Champs. Representing both the entire branch network and the Head Office, the Regional Sustainability Teams consist of two champions from each region, one focusing on credit and sustainable finance, and the other on the Bank's own operations. The Teams are led by the respective Regional Heads under the aegis of the Head of Branch Network Management, who represents the branch network on the Executive Committee on Sustainability. The Central Sustainability Unit works closely with the Regional Head and Regional Sustainability Champs to ensure that the Bank's integrated environmental policy and strategy are effectively implemented across the branch network.

As ambassadors of sustainability within the Bank, the Regional Sustainability Champions help translate our commitments into concrete action at every level and location. Their involvement paves the way for deeper integration of ESG principles across operations, enabling the Bank to advance more effectively toward its sustainability objectives and targets.

During the year, Union Bank introduced the Green Awards to recognise and reward branches and teams that made the highest contributions to energy savings and broader sustainability objectives.

The Bank continued to actively engage and educate employees on the importance of environmental sustainability, Bank's approach to climate action, and the need to minimize climate-related risks while strengthening preparedness. Information shared with employees included climate-related insights and guidance from the Ceylon Chamber of Commerce and the Sri Lanka chapter of the Asia-Pacific Alliance for Disaster Management (APAD).



Quarterly Green Awards for Resource efficiency



Employee Volunteer initiative - beach cleaning project

The Year Ahead

- Climate change, often referred to as global warming, is widely acknowledged as the most pressing environmental challenge of the 21st century. The Bank is committed to advancing climate action through a holistic approach that spans client engagement, climate-aligned financing, and strengthening the Bank's own operational resilience.
- Increase lending to environmentally sustainable Green Financing portfolio with a target to have 20% of our Corporate and SME clients to develop Climate and Nature Related Risk Management, Resilience and an Adaptation plan by end 2026.
- The engagement with ADB-V20 is expected to serve as a catalyst in strengthening the Bank's potential to expand its sustainable finance portfolio and make significant contribution to sustainable financing and climate-focused funding.
- Our agenda will also encompass the regeneration and restoration of ecosystems, supporting long-term environmental health and resilience.
- Switch to renewable energy for our energy requirements where possible, the bank has targeted at least five branches to be solar powered.
- The vehicles provided to Regional Managers and others will be Electric vehicles.
- We will explore multistakeholder collaboration to enhance value creation and deepen the impact of our sustainability initiatives.
- Our strategies in managing Natural Capital will continue to be guided by The United Nations Sustainable Development Goals (SDGs) and related global commitments such as the Paris Agreement on Climate Action, Kungming - Montreal Biodiversity Framework, Sendai Framework on Disaster Risk Reduction provide further clarity to frame national responses to global challenges.

Board of Directors



Left to right :

Sabry Ibrahim - Independent/Non-Executive Director, **Dilshan Rodrigo** - Executive Director/Chief Executive Officer, **Nirvana Chaudhary** - Deputy Chairman, Non-Independent/Non-Executive Director, **Dinesh Weerakkody** - Chairman, Independent/ Non-Executive Director



Left to right :

Gyanendra Dhungana - Non-Independent/Non-Executive Director, **Dilshani Wijayawardana** - Independent/Non-Executive Director, **Sanjay Pokhrel** - Non-Independent/Non-Executive Director, **Dr. Dharmasri Kumaratunge** - Independent/Non-Executive Director, **Mahesh Nanayakkara** - Independent/Non-Executive Director

Board of Directors

Disclosure 2-9, 2-11

Mr. Dinesh Weerakkody

Chairman
Independent, Non-Executive Director

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

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

Mr. Weerakkody holds an Advanced Diploma in Business Administration from the United Kingdom (UK) and is a Fellow Member of both the Chartered Institute of Management Accountants, UK and the Certified Management Accountants of Sri Lanka. He is also a Professional Member of the Singapore Human Resource Institute and earned a Master of Business Administration from the University of Leicester, UK. In recognition of his contributions, he was awarded an Honorary Doctorate from the American National Business University, United States of America (USA). His leadership and management expertise are supported by extensive training in economics, finance, HR and management from leading institutions in the UK, USA, France, Japan, Singapore and India.

Over the years, Mr. Weerakkody has received numerous honors for his contributions to business and public service. He was conferred Honorary Membership by the Institute of Personnel Management of Sri Lanka in 2008 for his contributions to Human Resource Management. He is a recipient of the Jaycees Ten Outstanding Young Persons Award (TOYP) in 1999 and was honored with the International Association of Lions Clubs National Achievers Award in 2008 for promoting good governance in the public sector. He also received the OPA Apex Award for Banking and Finance in 2022 and was conferred the Sri Lanka Sikhamani National Honour in 2019.

Mr. Nirvana Chaudhary

Deputy Chairman
Non-Independent, Non-Executive Director

Mr. Nirvana Chaudhary possesses extensive experience as a business leader across diverse sectors. He currently serves as the Chairman of CG Foods Bangladesh Ltd, Moldcell Moldova, CG Pay Nepal Pvt. Ltd and Middle Modi Hydropower Ltd. In addition, he holds directorships in several companies, including John Keells CG Auto (Pvt) Ltd, CG Capital Partners Global Pte. Ltd, Nabil Bank Ltd, Nepal, CG Electronics Pvt. Ltd, Nepal, CG Cement Industries Pvt. Ltd, CG Foods (Nepal) Pvt. Ltd, CG Brewery Nepal Pvt. Ltd and Himal Hydro and General Construction Ltd, Nepal.

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

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

Mr. Dilshan Rodrigo

Executive Director / Chief Executive Officer

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

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

Mr. Rodrigo serves as the Senior Vice Chairman of the Sri Lanka Institute of Directors and was the Chairman of the Policy Advocacy Committee of the Asian Bankers Association (Taiwan) during 2010/2012 and 2018/2020. He has taught on various undergraduate and postgraduate programmes for over a decade, including Chartered Institute of Management Accountants (CIMA), Association

of Chartered Certified Accountants (ACCA) and the Postgraduate Institute of Management - Master of Business Administration (PIM-MBA). Additionally, he has served on the local Councils of CIMA, ACCA and the Risk Professional Forum, the latter two as President for two terms.

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

Ms. Dilshani Wijayawardana

Independent, Non-Executive Director

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

Ms. Wijayawardana began her legal career in 1996 as a Research Assistant to Hon. Justice Mark Fernando and later worked as a Legal Executive at Shook Lin & Bok, Advocates and Solicitors, Singapore in 1999. She has published numerous articles on commercial law and is the Co-author of the book "Company Law", published in 2014.

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

Mr. Sabry Ibrahim

Independent, Non-Executive Director

Mr. Sabry Ibrahim is an experienced banking professional with over 38 years of banking experience primarily in the areas of Corporate Banking, Treasury Management and Risk Management. He currently serves on the Boards of Asset Trust Management (Pvt) Ltd, Fintrex Finance Limited and Regal Image International Pvt Ltd.

Previously, Mr. Ibrahim held directorships at several leading organisations, including People's Insurance PLC, People's Merchant Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Havelock Properties Limited, People's Micro-Commerce Limited, People's Leasing Property Development Limited and Lankan Alliance Finance Limited in Bangladesh.

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

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

Mr. Sanjay Pokhrel

Non-Independent, Non-Executive Director

Mr. Sanjay Pokhrel is a Chartered Accountant (ICAI) and a Chartered Financial Analyst (CFA®) with over 12 years of experience in Mergers and Acquisitions, Investment Management, Treasury Management, Fund raising and Project Management.

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

Additionally, Mr. Pokhrel is the Head of Mergers and Acquisitions at CG Corp Global's International Headquarters in Dubai, where he leads the overall investment processes, asset management function for Telecom and Financial Services. He also oversees the Group's treasury and family office operations. In addition, he has spearheaded CG's impact investment vertical, PSP business, and FTTX business.

His prior experience includes managing a private equity fund focused on early-stage Nepalese businesses and renewable energy projects, as well as leading investment banking, merchant banking, and corporate advisory functions for a prominent PE and Investment Banking firm in Nepal.

Board of Directors

Dr. Dharmasri Kumaratunge

Independent, Non-Executive Director

Dr. Dharmasri Kumaratunge has over 36 years of extensive experience in Banking and Finance, Financial Technology, IT and International Trade, Payment Processing, Information and Communication Technology and Digital Transformation. He currently serves as the Chairman of PayMedia (Pvt) Ltd and as a Consultant, Public Policy at Mastercard, Sri Lanka and Maldives.

Dr. Kumaratunge previously held the position of Assistant Governor at the Central Bank of Sri Lanka (CBSL) and served as a Director of the Payments and Settlements Department at CBSL from 2016 to 2021. He also served as the Secretary to the Ministry of Technology until September 2024 and was Chairman of the Telecommunications Regulatory Commission of Sri Lanka and the Information and Communication Technology Agency until September 2024. Dr. Kumaratunge has held several key leadership positions in several organisations. He served as the Senior National Consultant for the International Trade Centre (UN), Business Consultant at PayMedia (Pvt) Ltd.

He has served on the Boards of Lanka Clear (Pvt) Ltd (now LankaPay) and Lanka Financial Service Bureau (LFSBL), DirectPay (Pvt) Ltd, and CelaTa Tech (Pvt) Ltd. Dr. Kumaratunge was also a Member of the Governing Council of the National Institute of Business Management. Dr. Kumaratunge has contributed to several Cabinet-appointed committees, including those focused on the Revenue Administration Management Information System (RAMIS) and the Expert Committee on Digital Banking, Blockchain Technology, and related industries. He also represented Sri Lanka as Alternate Country Director for the Asian Clearing Union (ACU) and Country Director for the SAARC Payment Council from 2016 to 2022.

Earlier in his career at CBSL, he worked in multiple departments, including Economic Research, Information Technology, Payments and Settlements, Centre for Banking Studies, and Management Audit. Before joining CBSL, he held roles at the Cooperative Wholesale Establishment (CWE) as Manager – Export and at M/S Thornton Panditharatne & Co (Chartered Accountants).

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

Mr. Mahesh Nanayakkara

Independent, Non-Executive Director

Mr. Mahesh Nanayakkara brings over 35 years of experience in the financial services industry and currently serves as the Managing Director/Chief Executive Officer of Citizens Development Business Finance PLC (CDB). Over the past two decades, he has successfully led a dynamic team of professionals, transforming CDB from a balance sheet of less than LKR 1 Bn with negative net worth into one of the top four largest Non-Banking Financial Institutions (NBFIs) in Sri Lanka, with an asset base surpassing LKR 200 Bn.

Previously, Mr. Nanayakkara served as Chairman of Unisons Capital Leasing Ltd and as a Director of Biodiversity Sri Lanka. He also played a pivotal role in establishing the Autism Trust Fund, a collaboration between CDB and the Sri Lanka Association for Child Development (SLACD), aimed at raising awareness, early detection and intervention for autism in Sri Lanka.

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

Mr. Gyanendra Dhungana
Non-Independent, Non-Executive Director

Mr. Gyanendra Dhungana is a distinguished banker with over 30 years of experience in the Nepalese banking sector, including a decade of service at the Central Bank, Nepal Rastra Bank. He most recently served as Chief Executive Officer (CEO) of Nabil Bank Limited from 2022 to 2025. Prior to this, he successfully led Nepal Bangladesh Bank as CEO for 10 years. His tenure at Nepal Rastra Bank from 2001 to 2011 included various strategic roles. He also served as President of the Nepal Bankers Association (NBA) from 2018 to 2020 and continues to be actively involved as its Immediate Past President. He currently serves as the Chairman of Apex Fund Limited, Nepal.

He holds a Bachelor's degree in Commerce from Nepal Commerce Campus, Tribhuvan University, a Chartered Accountancy qualification from ICAI, India and a Master's in Financial Analysis from the University of New South Wales, Australia. Mr. Dhungana has participated in numerous national and international seminars and training programmes and is a published author on topics related to the Nepalese economy and banking.

His outstanding contributions to the banking industry have earned him several prestigious honors, including the Prabal Jana Sewa Shree Medal (2022) for his outstanding service to Nepal's banking sector, the Manager to Watch award (2013) by the Nepal Management Association and the Manager of the Year award (2015) from the same organisation.

Corporate Management Team



Left to right :

Nisala Kodippili - Chief Technology Officer
Mahendra Illangasinghe - Head of Branch Network & Distribution
Thishani Dissanayake - Vice President Marketing
Tharindu Gamage - Head of Compliance

Gayan Ranaweera - Chief Credit Officer
Rushira De Silva - Head of Corporate Banking
Asanka Ranhotty - Chief Business Officer
Dilshan Rodrigo - Executive Director/Chief Executive Officer





Left to right :

Shanka Abeywardene - Chief Financial Officer
Jayantha Amarasinghe - Chief People & Transformation Officer
Laswie Tsung - Company Secretary
Prasanna Ferdinando - Head of Recoveries

Sandamali Munasinghe - Head of Legal
Sampath Weerasinghe - Chief Risk Officer
Priyantha Gamage - Head of Operations/
Chief Information Security Officer
Chandima Samarasinghe - Head of Internal Audit
Brian Joseph - Vice President - Treasury

Vice Presidents



Manisha Fernando
Vice President - Digital Banking



Malinda Perera
Head of Cards & Retail Products



Dinuk Perera
Head of SME



Mohamed Imdaad
Deputy Chief Information Officer

Assistant Vice Presidents



Jayanath Kariyakarawana
Assistant Vice President - Recoveries



Nalin Ahangama
Assistant Vice President - Trade Services



Anuruddha Ranasinghe
Regional Head - North Western Region



Yohan Wijethilake
Assistant Vice President - Corporate Banking



Saman Kottawatta
Regional Head - Metro 2 Region



Kasun De Silva
Head of Deposit Mobilisation



Chaminda Fernando
Regional Head - Metro 1 Region



Dilum De Silva
Regional Head - Central Region

Chief Managers



Rajieve Samarasinha
Head of Data Centre



Shehan Uduwara
Chief Manager - Recoveries



Kasun Balasooriya
Head of Leasing



Ayesha Thennakone
Deputy Head of Internal Audit



Minoli Fernando
Chief Manager - Finance



Chandani Perera
Chief Manager - Credit Administration



Roshan Fernando
Chief Manager - Internal Audit



Kanchana De Silva
Chief Manager - Trade Services



Sivarajah Piratheepan
Regional Head - North & East Region



Janaka Iroshan
Chief Manager - Application Development & Support



Nadika Senaratne
Chief Manager - IT Operations



Asanka Ranasinghe
Unit Head - Post Credit Monitoring



Irani Karunanayake
Chief Manager - Legal (Conveyancing)



Darsha Hendahewa
Chief Manager - Bank Notes Operations



Devani Konara
Chief Manager - Human Resources



Nilmini Weerasekera
Chief Manager - Corporate Banking



Dilaksha Fernando
Chief Manager - SME Banking



Dhanushka Sethuhewa
Chief Manager - Risk Management



Tharaka Abeytunge
Chief Manager - IRM & Portfolio Risk



Geeth Sirisena
Chief Manager - SME Banking



Chalith Perera
Unit Head - Product Management
Retail Assets & Liabilities



Charith Kadurugamuwa
Regional Head - Southern Region



Sailajah Nadarajah
Chief Manager - Treasury



Dinesh Fernando
Chief Manager - Regional Recoveries



Shanika Perera
Deputy Head of Operations



Charitha De Silva
Chief Manager - Litigation



Madhavi Obadage
Unit Head - Credit



Adheesha Perera
Head of Sustainability

Senior Managers



Harsha Rajapaksha
Senior Relationship Manager - SME



Premil Cooray
Senior Manager - IT Service & Project Management



Asela Jayasekara
Senior Manager - Regional Operations & Compliance



Ranmalee Jayasuriya
Senior Manager - Customer Experience



Thilan Silva
Senior Manager - Payment Systems



Gayan Lokupitiya
Senior Manager - Application Administration



Jesdharajan Shanmugeswaran
Senior Manager - Kotahena Branch



Nalaka Kotinkaduwa
Senior Manager - Regional Credit (Central)



Robin Perera
Senior Manager - OMS Branch



Lakna Niriella
Senior Manager - Business Process Re-Engineering



Chethiya Weerasinghe
Senior Manager - Regional Credit Metro 2



Rangika Ekanayaka
Senior Manager - Nugegoda Branch



Osadhi Gunasekara
Senior Manager - Internal Audit



Vasantha Perera
Senior Manager - Negombo Branch



Sandun Wijesekera
Senior Manager - Branch Network Operations



Hasitha Wijeratne
Senior Manager - Head Office Branch



Shalitha Silva
Senior Manager - Remittances



Suranga Jayaweera
Senior Manager - Liability Products Management



Amila Erandi
Senior Manager - Internal Audit



Hiran De Silva
Senior Manager - Recoveries



Naomi Jebaratnam
Senior Manager - Treasury



Shane Martyn
Senior Manager - Finance



Indika Igalawithana
Senior Manager - Recoveries



Praveen Dehideniya
Senior Manager - IT Security & Governance



Pradeep Namasivayam
Senior Manager - Card Products



Prathapa Karunasinghe
Senior Manager - Credit Underwriting (Retail Assets Centre)



Oshadhi Hapangama
Senior Manager - MIS & Strategy



Yohan Alahakoon
Senior Relation Manager - SME



Shiromi Priyadarshani
Senior Manager - Legal



Sathsara Palathanthri
Senior Manager - Card Underwriting



Chrislan Algama
Head of Pawning



Dasith Fernando
Senior Manager - Credit Risk

Senior Managers



Dilukshan Jayakody
Head- Retail Assets Mobalisation



Dinusha Harshani
Senior Manager - Finance



Indika Wijayasiriwardana
Senior Manager - Premises Management



Kalum Rodrigo
Senior Manager - Moratuwa Branch



Lakmal Mettananda
Unit Head - Cash Management Services



Hansika Miriyagalla
Senior Manager - Customer on Boarding & Card Operations



Kasun Rochana
Senior Manager - Process Control and Branch Operattions



Malka Mathusinghe
Senior Software Engineer



Masilamani Ajeeva
Senior Manager - Regional Credit (Northwestern)



Niroshika Sarangi
Senior Manager - Legal



Prabath Serasinghe
Senior Manager - Development Financing/Portfolio Monitoring/Factoring & Business Revival Rehabilitation



Praveen Somapala
Senior Manager - Retail Recoveries



Pulasthi Kotalawala
Information Security Officer



Ramiduni Sarangika
Senior Manager - Ratmalana Branch



Rojanson Indrajith
Senior Manager - Marketing



Saliya De Silva
Head of Security



Chinthaka Siriwardene
Senior Manager - Compliance



Janithi Perera
Senior Manager - Clearing & Transaction Processing Operations



Supun Perera
Senior Manager - Nawala Branch



Sumith Mannapperuma
Senior Manager - Kuliyapitiya Branch



Thilina Kelaniyage
Senior Manager - IS Audit



Thilini Jayawardena
Senior Manager - Rewards & Employee Benefits



Tremelo Batcho
Senior Manager - Talent Development

Corporate Governance

Disclosure 2-22

Chairman's Statement on Corporate Governance



"As we look ahead, our commitment remains steadfast-to set a benchmark for corporate governance in Sri Lanka by transforming regulatory compliance into a source of discipline, trust, and long-term value creation."

Dear Stakeholders,

In an environment where governance excellence is no longer optional but imperative, Union Bank has continued to demonstrate its unwavering commitment to the highest standards of corporate governance. We have fully embraced the Central Bank of Sri Lanka's enhanced governance framework, guided by the principles of transparency, accountability, and integrity. These principles shape our boardroom culture, strengthen risk oversight, and reinforce stakeholder confidence ensuring that every decision safeguards stakeholder interests and supports the stability and resilience of the national financial system.

As we look ahead, our commitment remains steadfast-to set a benchmark for corporate governance in Sri Lanka by transforming regulatory compliance into a source of discipline, trust, and long-term value creation.

As Chairman, I am pleased to affirm that the Bank upholds the highest standards of corporate integrity through a robust and effective governance framework. This framework is anchored in strong leadership, sound internal controls and a deeply embedded culture of risk management and compliance. The Board's primary responsibility is to ensure a sound governance and management structure by providing strategic direction, balanced oversight, effective decision-making and rigorous risk governance, while consistently meeting the expectations of all stakeholders.

Although Sri Lanka began to show early signs of economic recovery in 2025 following a period of severe disruption, the operating environment remained challenging, shaped by high public debt, climate-related risks and ongoing social pressures. Despite these headwinds, Union Bank delivered a strong performance, achieving accelerated profitability, double-digit balance sheet growth, and improved margins while remaining firmly anchored to ethical conduct and sound governance practices.

In line with our Environmental, Social, and Governance (ESG) commitments, we continued to engage meaningfully with stakeholders and actively considered their feedback across key aspects of our operations. Transparent and rigorous processes were followed in the appointment and re-election of Directors, and the Bank conducted its affairs in full compliance with applicable statutory and regulatory requirements, maintaining confidentiality and avoiding conflicts of interest. Related-party transactions were managed with due diligence, Board Subcommittees were empowered to discharge their responsibilities effectively, and focused attention was given to critical governance priorities, including succession planning for Directors and Key Management Personnel, as well as the continuous refinement of remuneration and performance evaluation frameworks.

In conclusion, I affirm that the Bank has fully complied with Direction No. 05 of 2024 on Corporate Governance, issued by the Central Bank of Sri Lanka under the Banking Act No. 30 of 1988 (as amended), as disclosed in this Report. The Bank has also complied with Section 9 on Corporate Governance of the Listing Rules issued by the Colombo Stock Exchange. The observations contained in the External Auditors' Factual Findings Report' are consistent with the disclosures made herein, and to the best of my knowledge, there have been no material violations of the aforementioned Direction.

Dinesh Weerakkody
Chairman

24th February 2026
Colombo

Bank's Corporate Governance Framework

The Bank's Corporate Governance Framework has been established in accordance with:

- Banking Act Direction No. 5 of 2024 on Corporate Governance for Licensed Banks in Sri Lanka, issued by the Central Bank of Sri Lanka (CBSL)
- Section 9 of the Listing Rules on Corporate Governance, issued by the Colombo Stock Exchange (CSE)
- Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- International best practices in banking sector corporate governance

This framework embodies the Bank's commitment to maintaining the highest standards of corporate governance, transparency, and accountability to all stakeholders.

Disclosure 2-9

Governance Structure

The Bank upholds a steadfast commitment to maintain high standards of Corporate Governance by continuously improving the Corporate Governance practices as per the applicable statutory and regulatory provisions to ensure that the Bank's business is aligned with the Governance requirements although the Bank's approach to governance is not limited to rules and regulations. It recognises the pivotal role that good governance plays in fostering growth and instilling trust and confidence amongst stakeholders, which is the key to deliver the Bank's purpose and strategy.

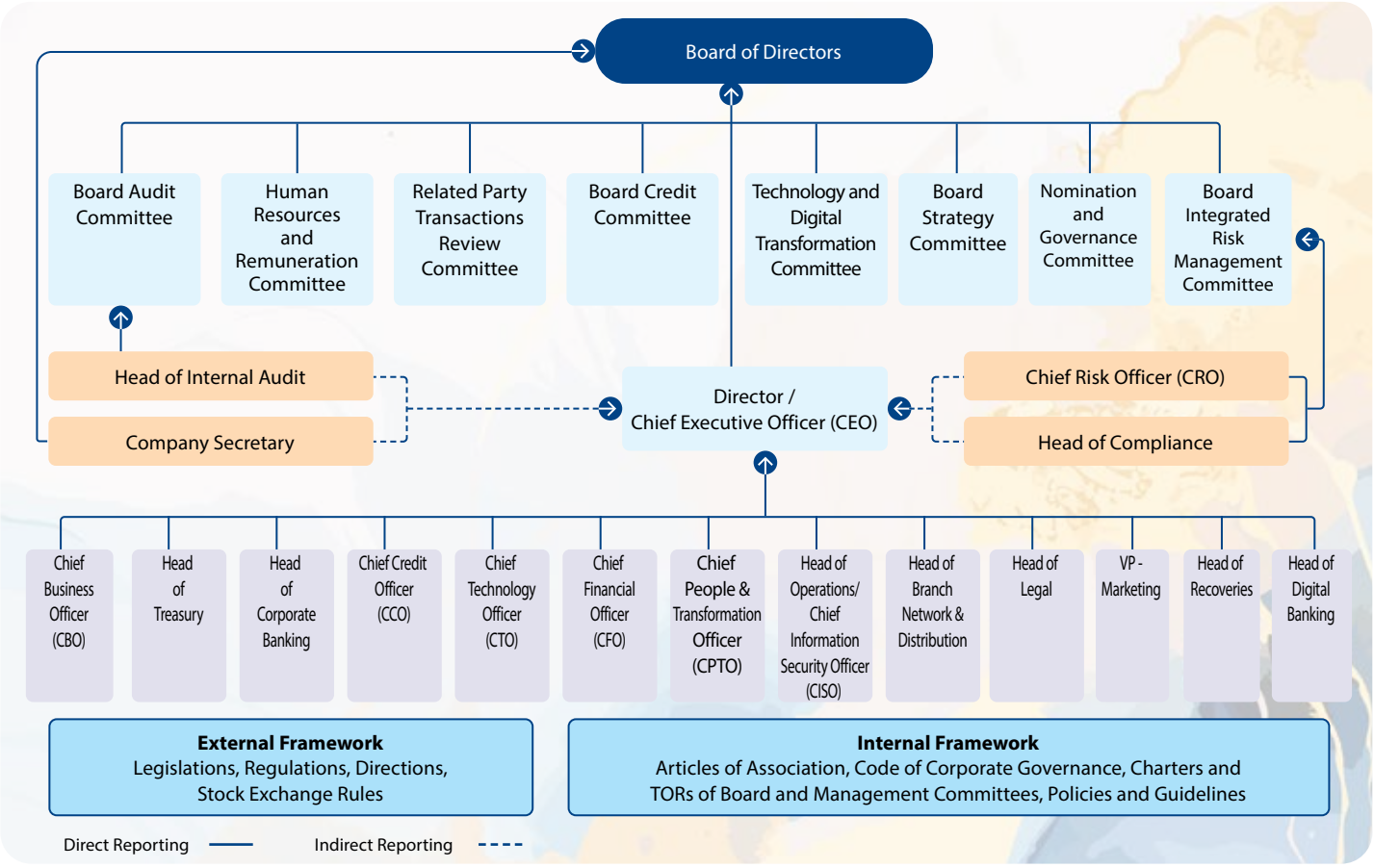
At the core of the Bank's governance structure, are the principles of competent leadership, robust internal controls, a resilient risk culture, effective delegation of power, adequate oversight for decision making and a commitment to being accountable to stakeholder needs and business.

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

Key Focus Areas for 2025

With the release of Banking Act Direction No. 5 of 2024, during the year 2025, the Bank focused on further strengthening the following areas:

- **Board Composition and Independence:** Enhanced independent director representation and diversity
- **Board Responsibilities and Roles:** Clarified roles and strengthened accountability mechanisms
- **Risk Management and Compliance Functions:** Integrated risk and compliance frameworks with enhanced reporting
- **Ethical Conduct and Transparency:** Strengthened code of conduct and whistleblowing mechanisms
- **Social and Environmental Responsibilities:** Expanded ESG integration into strategy and operations
- **Digital Governance:** Enhanced cybersecurity oversight and data protection measures



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

Corporate Governance

Competent Leadership

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

Board of Directors

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

The Board is collectively and individually responsible for establishing robust corporate governance, ensuring the Bank's strategy, risk appetite, compliance, internal controls, and ethical culture are in place, and for overseeing senior management's execution while acting with integrity, care, skill and diligence.

Role and Focus of the Board

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

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

The Board's Terms of Reference are set out in a written Charter known as, "The Code of Corporate Governance" (the Code), which was comprehensively updated to align with Banking Act Direction No. 05 of 2024. The Code outlines the role, responsibilities and composition of the Board and the manner in which it discharges its responsibilities. This mandate undergoes periodic reviews to ensure alignment with applicable legislation, regulatory requirements and the Bank's Articles of Association. The Board focuses on key issues and tasks facing the Bank and on topics of interest to the Board in consultation with the Executive Director / CEO, and senior management of the Bank.

Key Responsibilities of the Board

- Deploying a governance framework, which maintains an effective control over all aspects of the Bank and supports the strategic objectives of the Bank.
- Setting the strategic direction and long-term goals of the Bank and ensuring that adequate resources are available to achieve the Bank's strategic objectives.
- Delegating specific functions to its Subcommittees, each with well-defined mandates and decision-making rights, (without diluting its own authority), as per the established Governance Framework enabling the Board to allocate adequate attention to matters reserved for its decision-making, while also ensuring that delegated responsibilities receive comprehensive scrutiny.
- Monitoring the responsibilities delegated to the Board Subcommittees to ensure proper and effective oversight and control of the Bank's activities.
- Establishing a framework for internal controls and risk management and risk appetite of the Bank.
- Reviewing management performance.
- Determining the Bank's values and standards and ensuring that obligations to its stakeholders are understood and met.
- Developing succession plans for the Directors and Key Management Personnel.
- Considering sustainability issues (including environmental, social and governance factors) as part of the Bank's strategy.
- Approving capital management initiatives and financial plans to be implemented across the Bank.
- Ensuring that guidance is provided with regard to trading in securities of the Bank.
- Ensuring that the Bank complies with the statutory and regulatory requirements including those specified in the Companies Act No. 07 of 2007 (as amended), Banking Act No. 30 of 1988 (as amended) and the Directions and Guidelines issued thereunder and the Listing Rules and the Continuing Listing Rules issued by the Colombo Stock Exchange.
- Ensuring compliance with the provisions of statutes relating to Money Laundering, Terrorist Financing, Bribery and Corruption.
- Promoting corporate sustainability including key performance indicators to Environmental, Social and Governance (ESG) criteria in order for the Bank to align their practices with environmental stewardship, social responsibility and strong governance.
- Providing a mechanism to ensure that Directors and Management are kept abreast of the applicable laws, rules and regulations with proper training.
- Appointing the Company Secretary.
- Approving the Revolving Corporate Strategic Plan and Budget for the Bank.

Composition

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

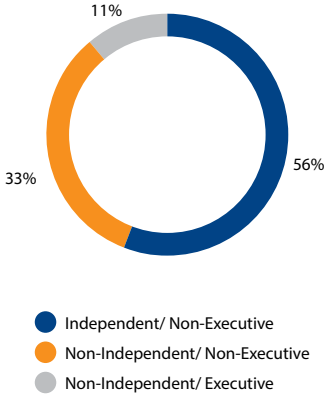
independence set out in Rule 9.8.3 of the Listing Rules, as well as the Banking Act Direction No. 05 of 2024. The Board uses these Categorical Standards to assist with its determination of status of each Director's independence.

As at the closure of the financial year ended 31st December 2025, the Board comprised of nine members. Amongst them, eight were Non-Executive Directors. Five of the nine Directors were Independent Non-Executive Directors. The Chief Executive Officer was the only Executive Director on the Board. In compliance with the Banking Act Direction No. 05 of 2024, the Board included one female Director. This composition reflects the Board's commitment to maintaining a diverse, gender-inclusive, and highly qualified membership, thereby promoting effective governance and decision-making.

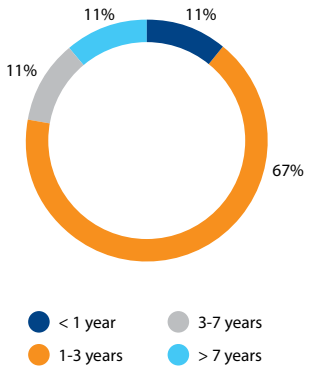
Disclosure 2-9

Board Diversity

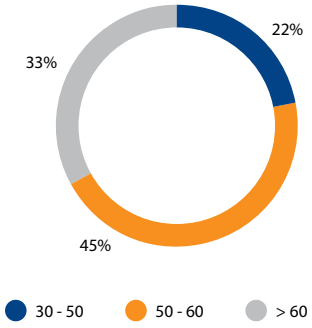
Independence



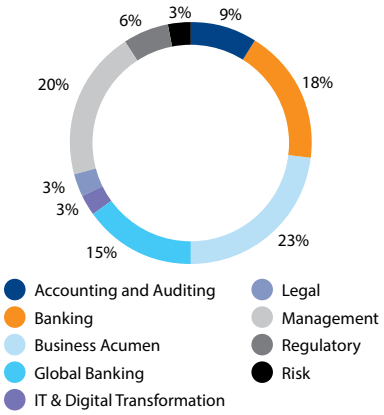
Tenure



Age



Board Skills and Experience



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

Detailed profiles of the Board of Directors, encompassing their individual experiences and expertise, can be found on pages 106 to 109 of the Annual Report.

Board Meetings

Regular Board meetings were scheduled at approximately monthly intervals, with additional special meetings convened as required by business exigencies. During these meetings, the Board considered business philosophy, strategic matters, established risk parameters, approved financial results and budgets and oversaw the implementation of delegated responsibilities, comprehensive feedback from Board Subcommittees, key performance indicators, variance reports and industry trends forming an integral part of the discussions.

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

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

The table on page 127 of this Annual Report provides the details of attendance of the Members of Board and of Board Subcommittees in respect of the Board and Board Subcommittee meetings held during the year 2025.

Effective Engagement with the Board

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

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

Corporate Governance

Disclosure 2-10

Succession Planning and Appointments to the Board

The Board proactively manages its own succession planning process, with the assistance of the Nomination and Governance Committee. The Board continues to oversee Executive Director/ CEO's continuity and succession planning and succession planning for Key Management Personnel to promote continuity in senior management.

In carrying out this responsibility, the Board considers several key factors:

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

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

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

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

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

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

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

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

In compliance with the Banking Act Direction No. 05 of 2024:

- All Non-Executive Directors have served less than nine years in aggregate. No Director exceeded the 9-year tenure limit during the year under review.
- Directors retire from the Board upon reaching the age of 70, in accordance with both regulatory requirements and the Bank's internal policy. As of the reporting period, no Director has exceeded this age limit.

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

Upon their appointment, all new Directors undergo a comprehensive induction programme designed to facilitate a thorough understanding of the Bank's values, culture, customer focus, business operations, financial affairs, governance framework, strategic position, risk management and their specific responsibilities as Directors in accordance with applicable legal and regulatory requirements.

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

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

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

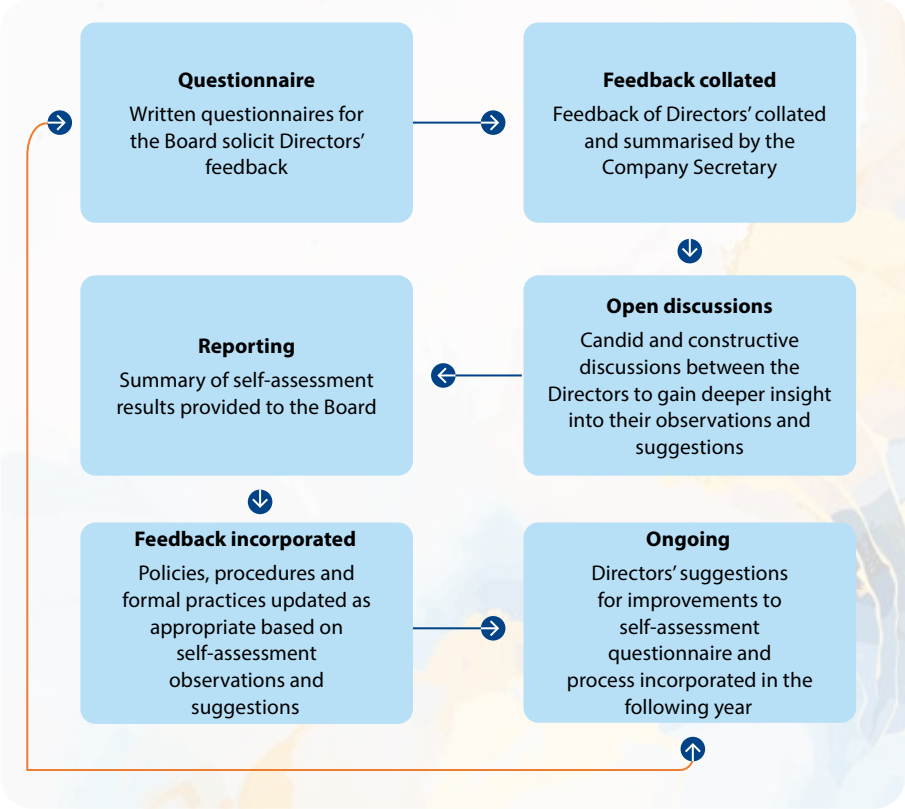
Disclosure 2-18

Annual Evaluations

The Board and the Board Subcommittees evaluated their own effectiveness through the annual formal assessment of their performance with the assistance of the Company Secretary at the conclusion of the financial year ended on 31st December 2025 in accordance with the applicable procedure established by the Nominations and Governance Committee.

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

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



Board Subcommittees

Disclosure 2-13

The Board has established several Board Subcommittees, each entrusted with specific responsibilities as outlined in their respective Charters or the Terms of Reference, duly approved by the Board. These Subcommittees play a pivotal role in assisting the Board in fulfilling its duties and responsibilities. The Board retains ultimate responsibility and does not relinquish it to Subcommittees. The Board performs much of its work with the assistance of the Board Subcommittees, ensuring that oversight and accountability are maintained at all levels.

The Board has established the following Board Subcommittees in line with regulatory requirements, in addition to which, the Board has at its discretion, established the Board Credit Committee, the Board Technology and Digital Transformation Committee and the Board Strategy Committee.

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

Each Subcommittee comprises exclusively Non-Executive Directors, with a majority or in some cases, all being Independent Non-Executive Directors, in accordance with applicable regulations. Notably, all statutory Subcommittees are chaired by Independent Non-Executive Directors, reflecting the Board's deliberate commitment to uphold the highest standards of Corporate Governance through transparency, accountability, and independent oversight.

The Subcommittees maintain full disclosure and transparency by submitting detailed minutes of their meetings to the Board at each subsequent meeting. This ensures regular reporting on proceedings, matters deliberated, and decisions taken. Where permissible, some directors serve on multiple subcommittees to cross-fertilise insights and ensure holistic oversight. This practice, followed within regulatory limits, enhances the Board's awareness of issues across different areas. As a result, the Board and its Subcommittees operate in a collaborative, well-informed governance structure, with Subcommittees acting as vital support mechanisms under the Board's supervision.

These governance practices collectively reinforce a collaborative and informed decision-making environment.

Corporate Governance

Subcommittee Chairpersons are accountable for the effective functioning of their respective committees, ensuring that each operates efficiently and in alignment with the Board's strategic objectives.

Division of Responsibilities

The position of the Chairman and the Chief Executive Officer of the Bank are distinct and separated to facilitate the balance of power and authority complying with the principles of Good Governance articulated in the Listing Rules issued by the Colombo Stock Exchange and the Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka. Their respective roles are clearly set out in the Code of Corporate Governance of the Bank with clear separation of responsibility and accountability.

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

Decision Making Process of the Board

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

Disclosure 2-12

Chairman

- Promote Good Corporate Governance practices and highest standards of integrity by setting up the ethical tone for the Board and the Bank.
- Promoting open and inclusive discussion and debate within the Board, while ensuring its effective functioning.
- Maintain a regular and open and constructive dialogue between the Executive Director/ CEO and management serving as the primary link between the Board and the Management and conveying feedback in a balanced and accurate manner between the Board and the Chief Executive Officer.
- Representing the views of the Board to stakeholders including shareholders, regulators and community by building and maintaining stakeholder trust and confidence.
- Setting the Board's annual work plan and agendas, in consultation with the Company Secretary, the Chief Executive Officer and other Directors and monitoring the effectiveness of the Board and ensuring assessment of performance of Directors.
- Reviewing Bank's ESG Performance with the assistance of Group Advisory Council on Sustainability
- Liaising with Company Secretary to address the Board's information requirements. Additionally establishing processes to ensure that the Board receives all information required for arriving at objective, sound decisions in the discharge of its responsibilities.
- Ensure that the balance of power is maintained between the Executive and Non-Executive Directors.
- Ensure that the Board is in full control of Bank's affairs and is alert to its obligations to all stakeholders.

Executive Director/ Chief Executive Officer

- Conduct the Management Function by leading the Management team as directed by the Board, including installing the Code of Conduct, culture and work environment based on Bank's values to set the tone for ethical leadership and creating an ethical environment.
- Developing the Bank's strategy for consideration and approval by the Board, by implementing, strategic, business and financial objectives.
- Analyse the impact of strategic objectives and financial position when allocating the resources, capital, approving expenditure and making financial decisions in compliance with the authorities delegated to him.
- Assessing the reputational consequences of decisions and actions taken.
- Implementing the processes, policies procedures and systems with appropriate controls for effectively managing the operations and risk of the Bank.
- Ensuring that the Bank operates within the approved risk appetite limits.
- Building and maintaining stakeholder trust and confidence.
- Ensuring proper succession planning of the executive team and assessing their performance.
- Developing and recommending to the Board, budgets that support the Bank's long-term strategy.
- Monitoring and reporting to the Board on the performance of the Bank and its compliance with applicable laws, regulatory requirements and corporate governance principles.
- Being responsible for external engagements with Bank's stakeholders including shareholders, government, regulators and the community.

Disclosure 2-11

Board Subcommittees

The Board has delegated specific responsibilities to its Subcommittees.

Board Audit Committee

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

The Report of the Board Audit Committee and its composition are given on page 162 of the Annual Report.

Board Integrated Risk Management Committee

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

The Report of the Board Integrated Risk Management Committee and its composition are given on page 165 of the Annual Report.

Disclosure 2-19, 2-20

Board Human Resources and Remuneration Committee

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

The Report of the Board Human Resources and Remuneration Committee and its composition are given on page 172 of the Annual Report.

Board Nomination and Governance Committee

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

The Report of the Board Nomination and Governance Committee and its composition are given on page 169 of the Annual Report.

Board Related Party Transactions Review Committee

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

The Report of the Board Related Party Transactions Review Committee and its composition are given on page 173 of the Annual Report.

Board Credit Committee

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

Board Technology and Digital Transformation Committee

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

Board Strategy Committee

Assist the Board in providing strategic direction and oversight to ensure the Bank's growth and long-term sustainability by assessing and developing strategies including for inorganic growth monitoring their implementation, reviewing business performance in line with the Bank's mission and vision.

Attendance at Board and Subcommittee Meetings

	Board	Board Audit Committee (BAC)	Board Integrated Risk Management Committee (BIRMC)	Nomination and Governance Committee (NGC)	Human Resources and Remuneration Committee (HRRC)	Related Party Transaction Review Committee (RPTRC)	Board Credit Committee (BCC)	Technology and Digital Transformation Committee (TDTC)	Board Strategy Committee (BSC)
Number of Meetings	14	6	6	5	5	4	16	9	8
Dinesh Weerakkody	13/14								
Nirvana Kumar Chaudhary	10/14			1/5			2/4	6/9	
Dilshani Wijayawardana	13/14	6/6		5/5	5/5				
Sabry Ibrahim	13/14		6/6		5/5	4/4	16/16		3/3
Malay Mukherjee	07/07		2/2		3/3	2/2	10/10		5/5
Sanjay Pokhrel	12/14	6/6	2/3						0/1
Dilshan Rodrigo	14/14						15/16	9/9	8/8
Mahesh Nanayakkara	14/14	6/6				4/4	16/16		8/8
Dr. Dharmasri Kumaratunge	14/14		6/6	5/5	1/1	4/4		9/9	
Gyanendra Dhungana	05/05		1/1		0/1	1/1	2/2		

Disclosure 2-12, 2-14

Group Advisory Council on Sustainability

A hybrid governance mechanism, in the form of a Group-level Advisory Council on Sustainability, was constituted in December 2025. The Council comprises members of the Boards of Directors of the Bank and its subsidiaries (UB Finance PLC and National Asset Management Limited), together with key executives, including the Chief Executive Officers of all three entities. The framework also provides the flexibility to invite external national-level subject matter experts, as appropriate, on material topics such as climate action, sustainable finance, and emerging sustainability-related risks and opportunities.

The Group Advisory Council on Sustainability is intended to support and advise the Boards of Directors of the Group by facilitating a coordinated and synergistic approach to sustainability-related matters, including the identification, assessment, and management of climate-related and broader ESG risks and opportunities across the Group.

Further details of the Group Advisory Council on Sustainability are disclosed in the Bank's SLFRS S1 and SLFRS S2 sustainability disclosures on page 40 to 41 of this Annual Report. While the Advisory Council performs a supportive and advisory role, the Board of Directors of Union Bank of Colombo PLC, as the highest governance authority of the Bank, retains full responsibility for the review, approval, and oversight of sustainability-related disclosures and reporting.

Corporate Governance

Disclosure 2-13

Management Committees

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

In addition to the Board and Board Subcommittees, 13 management committees have been established to support maintenance and practice of good governance, each operating under written Terms of Reference that outline their composition and key responsibilities and a structure and process similar to that of Board Subcommittees. These Terms of Reference undergo periodic reviews to maintain alignment with the Bank's strategy and to ensure appropriateness and consistency in delegation levels and authority. These management committees play a vital role in executing policies and strategies determined by the Board, actively managing the Bank's business affairs, and contributing to the overarching objective of achieving sustainable growth.

Management Committee	Scope
Executive Risk Management Committee	Reviewing, monitoring and evaluating the policies and procedures in the areas of credit risk, operational risk, and market risk in accordance with the guidelines of the Board Integrated Risk Management Committee
Fraud Risk Management Committee	Oversees fraud risk controls and prevention bank-wide, ensuring robust anti-fraud measures.
Assets and Liability Management Committee	Optimising the financial resources and managing the connected risks in the areas of market and liquidity.
Operational Risk Management Committee	Reviewing and monitoring the operational risk related areas including people, process and systems in accordance with guidelines of the Board Integrated Risk Management Committee.
IT Steering Committee	Monitoring and reviewing the IT infrastructure to support the optimisation of overall business strategy and mitigating technological risks.
Outsource Management Committee	Reviewing, monitoring and evaluating outsourced functions of the Bank.
Information Security Committee	The Committee is responsible for both strategic and operational aspects of information security and technology risk management.
Productivity /TAT Committee	Drives operational efficiency, reducing turnaround times and costs. Focuses on process improvements and resource optimisation across the Bank.
Digital Monetisation Committee	Guides the Bank's digital strategy – monetising digital channels, implementing innovative digital solutions and boosting revenue and efficiency through digital innovation.
Executive Committee on Sustainability	Reviewing and coordinating the implementation of the Bank's Integrated Sustainability Policy and Strategy including sustainable finance, environmental and social safeguards and managing bank's own environmental footprint
Leadership Committee	Provides strategic and operational leadership by aligning priorities, culture and leadership initiatives to support effective execution of the Bank's strategy.
Management Committee	Oversees overall operational management by coordinating decisions on business operations, resource allocation, policy implementation and execution of approved strategies.
Performance Review Committee	Monitors financial and non-financial performance against approved plans and KPIs, identifying variances and recommending corrective actions.

Effective Controls

Internal Controls Framework

The Bank's internal controls framework encompasses Board-approved Policies and procedures supporting the implementation of these Policies which have been established to reduce the risk and ensure that they meet the operating, reporting and compliance objectives of the Bank. The compliance risk mitigation system and information technology controls, as well as risk management policies and systems, amongst other established controls within the Bank add value to the Internal Control Framework of the Bank. The oversight of this comprehensive system is a collaborative effort involving the Board, with support from the Board Audit Committee and Board Integrated Risk Management Committee. Regular reviews of the Internal Controls Framework are conducted to ensure its ongoing relevance and effectiveness.

The Board monitors the adequacy, integrity and effectiveness of the Bank's Internal Controls Framework through the Board Audit Committee to ensure that effective internal controls are established and periodically reviewed and modified in response to changes in laws, regulations, asset

size and organisational complexity, some of the key components of control environments being Risk assessments, control activities, information and communication and monitoring.

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

Internal Audit Function

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

Internal Audit Function executed its Audit Plan, which was prepared based on a formal risk assessment, for the year under review with proper methodology and reported the results to the Management, Board Audit Committee and where appropriate to the Board Integrated Risk Management Committee for necessary action.

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

Dealings in Securities

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

Disclosure 2-15

Avoidance of Conflicts of Interests

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

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

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

Resilient Risk Culture

Risk Management Framework

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

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

Environmental, Social and Governance (ESG) Sustainability Risk

A Board approved Integrated Sustainability/ ESG Policy is in place since September 2024 that defines in detail the Governance Framework, Strategic Priorities, Risk Management and Measures of Progress in relation to Sustainability. Implementation is coordinated through the Bank's Executive Committee on Sustainability since August 2024 through 6 ESG integration pillars as described in detail under sustainability disclosures in page 40 to 50 of the Annual Report.

Corporate Governance

Staff Ethics and Code of Conduct

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

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

Compliance

The Bank views compliance with applicable laws, industry regulations, codes, and its own ethical standards and internal controls including policies and procedures as an integral aspect of its business operations. To facilitate effective compliance management, Bank's independent Compliance Officer is tasked with analysing statutory and regulatory requirements, as well as monitoring their implementation and execution. In cases of material deviations from compliance standards, such instances are reported to the Board Integrated Risk Management Committee. Additionally, the Bank has implemented a system to manage Money Laundering and Terrorist Financing Risk and Reporting in compliance with the applicable statutory and regulatory framework.

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Whistle-Blowing Mechanisms

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

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

There were no critical concerns that arose during the year on employee relations that merited the attention of the Board of Directors.

Accountability to Stakeholders

Equitable treatment

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

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

Engagement with Stakeholders

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

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

Conduct of Shareholder Meetings

The Annual General Meeting (AGM) serves as a crucial platform for shareholders to express their views and interact with the Board, including the Chairpersons of the Board Subcommittees and selected members of the Senior Management. The Bank's External Auditors are also present at the AGM to address any queries raised by shareholders. During the AGM, the Bank presents its financial performance for the relevant financial year.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board Members and management. The Bank encourages and values shareholder participation at its general

meetings. Resolutions requiring shareholders' approval are tabled separately for adoption at general meetings unless they are closely related and are more appropriate to be tabled together.

The Bank's compliance with Direction No. 05 of 2024, issued by the Central Bank of Sri Lanka on the subject 'Corporate Governance for Licensed Commercial Banks in Sri Lanka'.

Annual Corporate Governance Report of Union Bank of Colombo PLC for the year ended 31st December 2025 is given below: -

Section	Rule		Level of Compliance
1.1	**The Responsibilities of the Board**		
	The Board shall exercise "duty of care" and "duty of loyalty" to the bank with a view to strengthening the safety and soundness of the bank by ensuring the implementation of the following:		
	(a)	Approve and oversee the bank's strategic objectives and corporate values in terms of bank's long-term goals and ensure that these are properly communicated throughout the bank.	**Complied** The Bank has set its strategic objectives and goals through the Board approved Strategic Business Plan for 2025-2027 and through the annual budgets. Strategies and corporate values have been communicated to all business units and other staff through regular management meetings.
	(b)	Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, at least for the next three years;	**Complied** The Bank already has a Board approved three year Strategic Business Plan for 2025–2027, incorporating measurable strategic objectives. The three year Strategic Business Plan for 2026–2028 was approved by the Board at its meeting held in January 2026.
	(c)	(i) identifying the principal risks and ensuring implementation of appropriate systems to manage risks prudently, (ii) establishing well-defined organisational responsibilities for the three lines of defence of the Bank, viz. a. the business lines, b. the risk management function and the compliance function which are independent from the first and third lines of defence, and, c. the internal audit function which is independent from the first and second lines of defence. (iii) ensuring that the risk management, compliance, and internal audit functions are properly positioned, sufficiently staffed and resourced to carry out the responsibilities independently, objectively and effectively. (iv) defining the risk appetite of the bank aligning with the bank's strategic, capital, and financial plans, which is articulated through a Risk Appetite Statement, (v) outlining the actions to be taken when stated risk appetite limits are breached, including disciplinary actions for excessive risk taking, escalation procedures and notifications to the Board of Directors.	**Complied** The Board ensures the identification of principal risks and the implementation of appropriate systems to manage such risks prudently through the Board-appointed Integrated Risk Management Committee (BIRMC). The Bank has established a robust Three Lines of Defense model, with clearly defined responsibilities assigned to the business units for identifying, owning and managing risks within their operations. The Risk Management and Compliance functions operate independently from both the business lines and the Internal Audit function. The Internal Audit function operates independently from the first and second lines of defense and provides assurance on the effectiveness of the Bank's governance, risk management, and internal control frameworks. The Bank has articulated its Risk Appetite Statement in alignment with its strategic, capital, and financial plans. In addition, procedures are in place to ensure that any breaches of risk appetite limits are appropriately escalated to the Board via the Board Integrated Risk Management Committee, including disciplinary actions and other measures as required.

Corporate Governance

Section	Rule		Level of Compliance
	(d)	Establish 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;	**Complied** The Board approved Related Party Transactions Policy sets out how conflicts of interest must be managed by Directors in their dealings with the Bank. In addition, the Policy on Independence and Ethical Conduct for Directors, approved by the Board in January 2026, establishes the standards required to ensure that the Board is not dominated or unduly influenced by any Director or group of Directors in a manner that could adversely affect the interests of depositors, creditors, or the Bank as a whole.
	(e)	Approve implementation of a policy of communication with all stakeholders, including shareholders, and borrowers;	**Complied** A Board approved Policy on Communication with stakeholders including shareholders/investors, regulators, customers, media, and other stakeholders in place.
	(f)	Review the adequacy and the integrity of the bank's internal control systems and management information systems;	**Complied** The adequacy and the integrity of the Bank's Internal Control Systems and Management Information Systems are regularly reviewed by the Board Audit Committee (BAC) and annually by the Board of Directors.
	(g)	Ensure implementation of effective control systems for managing the related party exposures and avoiding any conflicts of interest that may arise from related-party transactions;	**Complied** Board-approved Policy on Related Party Transactions contains provisions to manage related party exposures and to avoid conflicts of interest that arise from related-party transactions.
	(h)	Approve and oversee the business continuity and disaster recovery plans to ensure financial stability, operational resilience and preserve critical operations and services including core-banking systems during any disruptive event;	**Complied** The Board has approved and oversees the Bank's Business Continuity and Disaster Recovery Plans to ensure financial stability, operational resilience and continuity of critical operations, including core-banking services, during disruptive events.
	(i)	Oversee the approach to remuneration, including monitoring and reviewing remuneration and ensure alignment of remuneration with bank's risk culture and risk appetite;	**Complied** The Board oversees the Bank's Remuneration Framework, including monitoring and reviewing remuneration practices to ensure alignment with the Bank's risk culture and risk appetite through the Board approved Remuneration Policy. The Board approved the Remuneration Policy for Key Management Personnel, which has been reviewed for the year 2025.
	(j)	Identify and designate key management personnel, who are in a position to; (i) significantly influence over policies, (ii) direct activities, and, (iii) exercise control over business activities, operations, and risk management.	**Complied** The Board of Directors has identified and designated the CEO, SVPs, VPs, Head of Compliance, and the Company Secretary as Key Management Personnel (KMPs) as per the CBSL guideline. All appointments of KMPs are recommended by the Nominations Committee and approved by the Board.

Section	Rule		Level of Compliance
	(k)	Define the areas of authority and key responsibilities for the Board of Directors themselves and for the Chief Executive Officer (CEO) and the key management personnel;	**Complied** The segregation of duties and authority between the Board of Directors and KMPs is established. Articles of the Bank stipulate the authority of Directors and matters specifically reserved for the Directors. The Bank's Internal Code of Corporate Governance, also sets areas of responsibility of the Directors. Further, responsibilities and authority are delegated to the Directors and KMPs through Board-approved policies, Terms of References and operational delegation arrangements. Key responsibilities of the KMPs are outlined in their respective job descriptions.
	(l)	Ensure that there is appropriate oversight of the affairs of the bank by CEO and key management personnel, who is consistent with the Board's strategies and policies;	**Complied** Board of Directors oversees the affairs of the Bank through KMPs primarily through the reports tabled at Board meetings and Board subcommittee meetings. KMPs make regular presentations to the Board on matters under their purview and are also called in by the Board and to Board subcommittees to explain matters relating to their areas of concerns.
	(m)	Periodically assess the effectiveness of the Board of directors' own governance practices, including: (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;	**Complied** The Bank has a self-evaluation process for the Board of Directors, which includes an assessment of the Board's own governance practices. Summaries of the self-evaluations are submitted to the Board for review and for any action deemed necessary. The Board has established a formal procedure for the selection and appointment of Directors, the CEO, and Key Management Personnel (KMPs), which is delegated to the Nominations Committee. The Board-approved Code of Corporate Governance outlines these requirements. Furthermore, the management of conflicts of interest is addressed in the Board-approved Policy on Related Party Transactions.
	(n)	Approve the criteria for self-assessment to be undertaken by each director annually and maintain records of such assessments.	**Complied** The Board has a process of self-assessment of each Director which is performed by the Directors annually and is filed with the Company Secretary.
	(o)	Ensure that the bank has an appropriate succession plan for CEO and the key management personnel as explained in Direction 6.4 i);	**Complied** The Board Nomination and Governance Committee (BNGC) and the Board has approved the succession plan for CEO and KMPs, which has been reviewed for 2025. Successors have been identified based on their readiness levels and categorised into three tiers as follows: Level 1 - Ready Now Level 2 – Ready in 1-3 years Level 3 – Ready in 3-5 years
	(p)	Meet regularly, on a needs basis, with CEO and the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	**Complied** KMPs make regular presentations to the Board on the reviewing of policies, progress toward corporate objectives, and other matters under their purview and are also called in by the Board and Board subcommittees to explain matters relating to their concerns.

Corporate Governance

Section	Rule		Level of Compliance
	(q)	Keep abreast of material changes in the regulatory environment and ensure that the bank maintains an effective relationship with regulators;	**Complied** Compliance Officer submits periodic reports to the Board to assist in understanding the regulatory environment. The Board ensures that effective relationships with regulators are maintained by way of active participation at meetings with the regulators by the CEO.
	(r)	Exercise due diligence in the hiring and oversight of external auditors;	**Complied** Approved Terms of Reference of the Board Audit Committee (BAC) includes provisions to recommend the appointment of External Auditors; BAC has recommended the re-appointment of Messrs. Ernst and Young, Chartered Accountants as the Bank's External Auditors for audit services for year 2025. Pursuant to recommendations, Messrs. Ernst and Young was re-appointed as the Auditors for the financial year 2025 by the shareholders at the Annual General Meeting held on 27th March 2025.
	(s)	Conduct itself in a professional and an ethical manner and shall not receive any undue financial or non-financial benefits including incentives, gifts or funds from the employees, customers, suppliers, shareholders or any other stakeholder of the bank;	**Complied** The Policy on Independence and Ethical Conduct for Directors, approved by the Board in January 2026, sets out the standards required for Directors to conduct themselves in a professional and ethical manner. The policy expressly prohibits Directors from receiving any undue financial or non-financial benefits, including incentives, gifts, or funds, from employees, customers, suppliers, shareholders, or any other stakeholders of the Bank.
	(t)	Inculcate a sound corporate culture which reinforces norms for professional, ethical and prudent behaviour throughout the bank. Approve and oversee the implementation of a Code of Conduct based on corporate values providing clear guidelines on professionally and ethically acceptable behaviours of Directors and employees addressing inter alia the issues on confidentiality of data, conflicts of interest, procedures for dealing with financial and non-financial benefits and gifts, integrity in reporting, and the fair treatment to customers;	**Complied** Professional, ethical and prudent behaviour throughout the Bank is fostered through well-established policies and procedures to ensure that actively promotes a sound corporate culture that reinforces professional, ethical, and prudent behaviour at all levels of the organisation. This culture is driven by the Bank's core values and is embedded into governance structures, policies, and day-to-day operations to ensure alignment with regulatory expectations and industry best practices.
	(u)	Ensure timely rectification of the supervisory concerns raised by the regulator/s and for this purpose, the assistance of the relevant subcommittees shall be sought;	**Complied** Supervisory concerns raised by the regulator are addressed in a timely manner, and the assistance of the relevant subcommittees is duly obtained in the process.

Section	Rule		Level of Compliance
	(v)	Approve a whistleblowing policy with a view to encouraging employees to communicate confidentially the legitimate concerns regarding illegal, unethical or questionable practices without the risk of reprisal. The policy shall be reviewed at least on an annual basis. The whistleblowing policy shall clearly specify: (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 reprisals; and, (iv) alternative avenues for Whistle-Blowing to regulators.	**Complied** The Bank has a Board approved Whistle-Blowing Policy, which is reviewed annually. The policy provides confidential channels for employees to escalate legitimate concerns regarding illegal, unethical, or questionable practices without fear of reprisal. It clearly specifies the escalation points within the Bank, investigation procedures, measures to ensure protection and anonymity of whistle-blowers and the alternative avenues for reporting to regulators. Independent investigations are conducted by the Internal Audit Department, and the findings are reported to the Board Audit Committee timely manner.
	(w)	Promote sustainability through appropriate environmental, social and governance considerations in the bank's business strategies and ensure that policies are in place to assist businesses that are greener, climate-friendly and socially inclusive.	**Complied** A Board-approved Integrated Sustainability Policy/ Environmental, Social and Governance (ESG) Policy is in place and is reviewed periodically to ensure that the Bank's business strategies incorporate appropriate environmental, social, and governance considerations to support longterm sustainability.
1.2	**Appointing Chairperson and CEO**		
		The Board shall appoint the Chairperson and CEO and define and approve the functions and responsibilities of the Chairperson and CEO in line with Direction 5 of these Directions.	**Complied** Positions of the Chairman and the Director/Chief Executive Officer (CEO) are separated. Further, the functions and responsibilities of the Chairman and the CEO are properly defined and approved in line with the Direction 5 of these Directions through the Board approved Terms of Reference - Functions and Responsibilities of Chairman, CEO and Senior Director.
1.3	**Board Meetings**		
		The Board shall meet at approximately monthly intervals and Board meetings shall be held at least twelve times a year. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible. The Board approvals obtained through circulation shall be ratified at the Board meeting held immediately following the circulation. The Board may convene and/or a Board member may attend the Board meetings virtually subject to ensuring active involvement of the relevant directors and attending Board meetings physically at least on a half-yearly basis.	**Partially Complied** The Board ensures that it meets regularly. The Board has met fourteen (14) times during the year at monthly intervals, and the Directors have actively participated in the Board's decision-making process. There were twenty-nine (29) circular resolutions passed during the year due to their importance and urgency, which were subsequently ratified by the Board.

Corporate Governance

Section	Rule		Level of Compliance
1.4	**Board Procedures**		
	a)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of banking business, risk management and conduct of employees of the bank.	**Complied** Code of Corporate Governance sets out a procedure to include such matters and proposals. Meetings are notified in advance, allowing Directors to raise matters concerning the promotion of business and management of risks.
	b)	The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	**Complied** Dates of regular monthly Board meetings and Board subcommittee meetings are scheduled well in advance and the notices are circulated to Directors seven (07) days in advance. The notices, agenda and Board Papers are circulated to Directors through the Board Paper Management System.
	c)	The Board procedures shall ensure that a director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Participation at the Board meetings through an alternate director shall, however, be acceptable as attendance.	**Complied** Director's attendance register is maintained by the Company Secretary to ensure the compliance with the direction and the all Directors have attended the required number of meetings held during the year 2025.
1.5	**Appointing a Company Secretary**		
	a)	The Board shall appoint a company secretary who satisfies the provisions of Section 43 of the Banking Act, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and such other written laws for the time being in force.	**Complied** The Board has appointed a Company Secretary, a lawyer whose primary responsibilities include handling secretariat services to the Board and shareholder meetings , carrying out the other functions specified in the statutes and other regulations and performing the duties stipulated in the Bank's Code of Corporate Governance.
	b)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.	**Complied** All Directors have equal opportunity to access the Company Secretary to advice and services. Bank's Code of Corporate Governance has provision in this regard.
	c)	The company secretary shall implement the recommendations made by the Nomination and Governance Committee on training, capacity building and professional development programmes for the directors.	**Complied** The Company Secretary facilitates and coordinates Director training, capacity building and professional development programmes including induction and regulatory briefings, as and when recommended by the Nomination and Governance Committee.
	d)	The company secretary shall maintain the minutes of Board meetings together with the recordings of meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director or the regulator.	**Complied** Minutes of Board meetings are maintained by the Company Secretary and there is a Board approved procedure under Corporate Governance Code that enables all Directors to have access to such minutes. Any Director can inspect the minutes of Board meetings with reasonable notice to the Company Secretary

Section	Rule		Level of Compliance
1.6	**Maintenance of Board Meeting Minutes**		
		Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. The minutes of a Board meeting shall clearly contain or refer to the following: a) a summary of data and information and justifications/rationale used by the Board in its deliberations; b) the matters considered by the Board; c) the fact-finding discussions reflecting the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the testimonies and confirmations of relevant key management personnel which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations appropriately; e) the Board's knowledge and understanding of the risks to which the bank is exposed to, and an overview of the risk management measures adopted; and, f) the Board resolutions and decisions.	**Complied** Comprehensive minutes of the Board meetings are recorded with sufficient details and maintained by the Company Secretary. The minutes of the meetings includes: (a) A summary of data and information used by the Board in its deliberations; (b) The matters considered by the Board; (c) The fact-finding discussions and the issues of contention or dissent; (d) The testimonies and confirmations of relevant Executives with regard to the Board's strategies and policies and adherence to relevant laws and regulations; (e) Matters regarding the risks to which the Bank is exposed to and an overview of the risk management measures including reports of the Board Integrated Risk Management Committee; and (f) The decisions and Board resolutions including reports of all Board committees.
1.7	**Obtaining Independent Professional Advice**		
	There shall be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director or directors to effectively discharge the duties.		**Complied.** Bank's Code of Corporate Governance includes provisions for the Board of Directors to seek independent professional advice, at the Bank's expense in appropriate circumstances to assist them in discharging their duties effectively.
1.8	**Managing Conflicts of Interest**		
	a)	Directors shall avoid conflicts of interest, or the potential conflicts of interest, in the activities with, and commitments to, other organisations, related parties and other stakeholders.	**Complied** A Board approved procedure is in place to avoid conflicts of interest or potential conflicts of interest, as outlined in the Corporate Governance Code of the Bank and this procedure is implemented across the Bank.

Corporate Governance

Section	Rule		Level of Compliance
	b)	A director shall abstain from participating in any discussion in relation to a matter in which he/she or any of his/her close relation or a concern in which he/she has substantial interest, is interested, nor shall receive the access to the information pertaining thereto, including accessing such information both physically and/or electronically.	**Complied** Corporate Governance Code requires Directors to abstain from voting on any Board resolution in which they, their close relations, or any entity in which they hold a substantial interest may have a conflict. Such Directors are also excluded from the quorum for the relevant agenda item. The Board-approved Policy on Related Party Transactions reinforces these requirements by mandating that Directors refrain from participating in decisions where a conflict of interest exists. During the year, the Board of Directors complied with these procedures.
	c)	Directors shall ensure that the relationships between the directors amongst themselves as well as between the directors, CEO and key management personnel are at a level that does not result in excessive familiarity, undue influence or coercion.	**Complied** The Board ensures that relationships among Directors and between Directors, the CEO and Key Management Personnel, remain professional and do not give rise to excessive familiarity, undue influence, or coercion.
	d)	The Board shall approve and oversee the implementation of a policy to identify and manage conflicts of interests, which shall include: (i) a Board member's duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest; (ii) a Board member's duty to avoid, to the extent possible, activities that could create conflicts of interest or the potential conflicts of interest including political affiliations; (iii) situations where conflicts may arise when serving as a Board member; (iv) a Board member's responsibility to abstain from participating in discussions on any Board decisions in relation to which he/she or any of his/her close relations or a concern in which he/she has substantial interest, is interested; and, (v) the measures to be taken in the event of any non-compliance with the policy.	**Complied** Procedure to identify and manage conflicts of interests is available in the Board-approved Policy on Related Party Transactions and the Bank's Corporate Governance Code.
1.9	**Requirement to inform on inability to meet obligations**		
		The Board shall, if it considers that the bank is, or is likely to be, unable to meet its obligations or about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the bank prior to taking any decision or action.	**Complied** The Board is aware of the requirement to inform the Director Banking Supervision of the situation of the Bank prior to taking any decisions or action. The Bank has not come across any situation as such during the year 2025.
1.10	**Compliance with Prudential Requirements**		
		The Board shall ensure that the bank is capitalised at levels as required by the Central Bank of Sri Lanka in terms of the capital adequacy ratio and other prudential requirements imposed by the Central Bank of Sri Lanka from time to time.	**Complied** The Board and the BIRMC monitor capital adequacy and other prudential measures periodically.

Section	Rule		Level of Compliance
2. BOARD'S COMPOSITION			
		The Board's composition shall ensure a healthy mix of knowledge, qualifications, skills, experience in relevant disciplines, gender and have varied backgrounds to promote diversity of views commensurate with the size, scale, diversity and complexity of operations of the bank. The qualifications and experience shall be in banking, finance, economics, accounting, business administration, information technology, risk management, law or any other relevant discipline as may be determined by the Central Bank of Sri Lanka.	**Complied** The Board comprises Directors with a diverse mix of knowledge, qualifications, skills, experience and gender, and their expertise covers areas such as banking, finance, economics, accounting, business administration, IT, and risk management.
2.1	**Procedure for Appointing Directors**		
	a)	There shall be a formal and transparent procedure for the appointment of new directors to the Board. There shall also be Board approved procedures in place for the orderly succession of appointments to the Board.	**Complied** Bank has a formal and transparent procedure for the appointment of new Directors to the Board. In addition, Board approved procedures are in place to ensure the orderly succession and continuity of Board appointments.
	b)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	**Complied**
2.2	**Number of Directors**		
	a)	The number of directors on the Board shall not be less than 7 and not more than 13. The number of directors shall be commensurate with the size, scale, diversity and complexity of operations of the bank.	**Complied**. Board Composition was in compliance with the requirement throughout the year 2025.
	b)	The Board shall have at least one female representative by 31.12.2025 and the Boards with more than 10 members shall have at least two female representatives by 31.12.2026.	**Complied** The Board comprises nine members, of whom one is a female Director. Accordingly, the requirement has been met.
2.3	**Executive Directors**		
	A member of the key management personnel of the bank may be appointed, elected or nominated as a director of the bank (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be CEO of the bank.		**Complied** There is only one Executive Director (CEO) on the Board; the number does not exceed 1/3 of the Board.
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.		**Complied** The Nominations and Governance Committee has a procedure in place to appoint Non-Executive Directors who possess the necessary skills and experience.

Corporate Governance

Section	Rule		Level of Compliance
2.5	**Independent Directors**		
	a)	At least half of the total number of Directors shall be independent Non-Executive Directors.	**Complied** The Board of Directors comprises five (05) Independent Non Executive Directors out of a total Board composition of nine (09).
	b)	A non-executive director shall not be considered independent if he/she: (i) has direct and indirect voting and/or non-voting shareholdings 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, exceeding 10 per cent of the regulatory capital of the Bank; (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 organisation; 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. n 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) currently is 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.	**Complied** The Bank is in full compliance with the regulatory requirements governing the determination of independence of Non Executive Directors.

Section	Rule		Level of Compliance
	c)	The independent Non-Executive Directors shall be expressly identified in all corporate communications that disclose the names of Directors of the Bank.	**Complied** Please refer pages 104 to 109.
2.6	**Representation through Alternate Directors**		
	a)	Representation through an Alternate Director is allowed only in exceptional circumstances as approved by the Board for a maximum period of one year from the date of such appointment with prior approval of the Director of Bank Supervision under the provisions of Section 42 of the Banking Act.	**Complied** No Alternate Director has been appointed to represent the Independent Directors during the year 2025.
	b)	In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director.	**Complied** No Alternate Director has been appointed to represent the Independent Directors during the year 2025.
	c)	An existing director of the bank cannot be appointed as an alternate director to another existing Director of the Bank.	**Complied** No Alternate Director has been appointed during the year 2025.
	(d)	An individual appointed as an Alternate Director to one of the directors cannot be appointed as an Alternate Director to another Director in the same Board.	**Complied** No Alternate Director has been appointed during the year 2025.
2.7	**Quorum for the Board Meetings**		
		At least half of the Board members shall constitute the quorum for the Board meetings. 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.	**Complied** During 2025, all Board meetings were convened in full compliance with the quorum requirements stipulated under the Direction.
3. SUITABILITY OF DIRECTORS			
3.1	**Criteria to Assess Fitness and Propriety**		
		Prior approval of the Director of Bank Supervision shall be obtained for the fitness and propriety of each person to be appointed, elected or nominated as a director of a licensed bank in terms of Section 42 and Section 76H of the Banking Act.	**Complied** The Bank has obtained the prior approval of the Director of Bank Supervision for the fitness and propriety of all individuals appointed, elected, or nominated as Directors, in accordance with Sections 42 and 76H of the Banking Act.
3.2	**Additional Requirements for Suitability of Directors**		
	a)	The age of a person who serves as a Director shall not exceed 70 years.	**Complied** None of the Directors have exceeded the age of 70 years.
	b)	The total period of service of a director other than a Director who holds the position of CEO or key management personnel position shall not exceed nine years.	**Complied** None of the Directors have exceeded the tenure of nine (09) years.
	c)	A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	**Complied** None of the Directors holds directorships in more than 20 companies, entities or institutions, inclusive of subsidiaries or associate companies of the Bank.

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Section	Rule		Level of Compliance
	d)	Directors shall have sufficient time to carry out the responsibilities as a director of the Bank	**Complied** All Directors have allocated sufficient time to discharge their duties and responsibilities effectively, ensuring full commitment to the Bank's governance and oversight obligations.
3.3	**Cooling-Off Period**		
		A Director or a Chief Executive Officer of a licensed Bank operating in Sri Lanka shall not be appointed as a Director or a Chief Executive Officer of the Bank, before the expiry of a period of 6 months from the date of cessation of his/her office at the previous Bank.	**Complied** No such appointments had been made during the year 2025.
4. DELEGATION OF FUNCTIONS			
4.1		There shall be a clear division of the responsibilities at the Board level and the key management level to ensure a greater balance of power and authority, so that powers are not concentrated in any individual.	**Complied** A clear division of responsibilities exists between the Board and Key Management Personnel, ensuring an appropriate balance of power and authority.
4.2		The Board shall have a formal schedule of matters specifically reserved for its decisions to ensure that the direction and control of the bank is firmly under its authority.	**Complied** Article 98 of the Bank's Articles of Association specifically defines the matters that cannot be delegated and are reserved exclusively to the Board of Directors. In addition, polices, terms of references, and operational delegation arrangements set authority and responsibilities of the Directors.
4.3		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.	**Complied** The Board has delegated powers to the subcommittees, CEO and the KMPs without hindering their ability to discharge functions.
4.4		The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	**Complied** The Board periodically reviews and approves the delegation arrangements to ensure that they remain relevant to the needs of the Bank during Board meetings and subcommittee meetings, including when reviewing policies and Terms of References.
5. THE CHAIRPERSON AND CEO			
5.1	**Division of Responsibilities between Chairperson and CEO**		
		The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	**Complied** Roles of Chairman and CEO are separate and are held by two individuals appointed by the Board. The Terms of Reference – Functions and responsibilities of the Chairman, CEO, and Senior Director details their respective duties. The revised TOR will be submitted to the upcoming Board meeting. The Code of Corporate Governance and the Policy on Matters Relating to the Board of Directors also specifies that these roles are distinct and provides a brief description of their duties.

Section	Rule		Level of Compliance
5.2	**Suitability of the Chairperson**		
	a)	The Chairperson shall be an independent non-executive director. In the event the Chairperson becomes non-independent after the initial appointment, as an interim arrangement, the Board shall designate an independent director as the Senior Director for a period not exceeding six months with suitably documented terms of reference. The designation of the Senior Director shall be disclosed in the bank's Annual Report.	**Complied** The Chairman of the Bank is an Independent Non-Executive Director.
	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.	**Complied** The Bank is in full compliance with this requirement, as an Independent Non-Executive Director currently serves as the Chairman of the Bank.
	c)	A Chairperson appointed after the effective date of this Direction shall be an independent Non-Executive Director.	**Complied**
5.3	**Responsibilities of the Chairperson**		
	a)	provide leadership to the Board and ensure the Board works effectively and duly discharges its responsibilities;	**Complied** Functions and responsibilities of the Chairman as approved by the Board, includes the requirements stipulated and the Chairman provides leadership to the Bank and to the Board in line with the Code of Corporate Governance of the Bank.
	b)	ensure that all key and appropriate issues are discussed by the Board in a timely manner;	**Complied** Key matters have been discussed in timely manner.
	c)	approve the agenda for each Board meeting, considering where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairperson may delegate the preparation of agenda to the company secretary;	**Complied** The agenda for each Board meeting is approved by the Chairman, taking into consideration any relevant items proposed by other Directors. The Chairman has delegated the preparation of the agenda to the Company Secretary, who prepares it in consultation with the Chairman.
	d)	ensure that all directors are properly briefed on issues arising at Board meetings and also ensure that directors receive adequate information in a timely manner;	**Complied** Board papers are circulated seven days prior to the meeting and the Chairman ensures that the Board is adequately briefed and informed the all matters arising.
	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;	**Complied** The Bank's Code of Corporate Governance outlines the Directors' responsibilities and principles for Directors to lead and act in the best interest of the Bank.
	f)	facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive discussions between executive and Non-Executive Directors;	**Complied** The Code of Corporate Governance of the Bank sets out the responsibilities and principles for Directors in leading the Bank and acting in its best interests, and ensures the full and active contribution of Non-Executive Directors.

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Section	Rule		Level of Compliance
	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;	**Complied** The Code sets out clear principles requiring Directors to act at all times in the best interests of the Bank and its stakeholders. Directors are entrusted with the responsibility to lead the Bank in a manner that upholds the highest standards of integrity accountability and sound decision-making.
	h)	not engage in activities involving direct supervision of key management personnel, other employees or any other executive duties whatsoever; and,	**Complied** The Chairman, an Independent Non-Executive Director, does not directly participate in supervising the Key Management Personnel (KMPs) or in any other executive duties.
	i)	ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	**Complied** Communication with the shareholders are done in accordance with the Board-approved Communication Policy.
5.4	**Conduct of CEO**		
	a)	CEO shall function as the apex executive-in-charge of the day-to-day management of the bank's operations and business and shall not hold any other executive functions.	**Complied** The Chief Executive Officer is in charge of the day-to-day management of the Bank's operations and business and is supported by the Corporate Management.
	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.	**Complied**
	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.	**Complied** Appropriate governance measures are in place to monitor and manage potential conflicts, ensuring the CEO's primary responsibilities to the Bank remain fully upheld at all times.
5.5	**Responsibilities of the Chairperson**		
	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.		**Complied** The Chairman ensures that the person appointed as CEO satisfies the fitandproper criteria under Sections 44A and 76H of the Banking Act and possesses the necessary authority, stature, knowledge, competencies, and expertise appropriate to the size, scale, diversity, and complexity of the Bank's operations.
6	**BOARD COMMITTEES**		
	Each licensed bank shall have at least five Board committees as set out in Directions 6.2 – 6.6 of these Directions.		**Complied** The Board has established the following mandatory subcommittees, each of which directly reports to the Board. Human Resources and Remuneration Committee Nomination and Governance Committee Integrated Risk Management Committee Related Party Transactions Review Committee Audit Committee

Section	Rule		Level of Compliance
6.1	**Requirements for the Board Committees**		
	a)	Each committee shall report directly to the Board.	**Complied**
	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.	**Complied** Each committee has a Terms of Reference that governs the authority delegated to the committee by the Board or provides it with the mandate to examine a particular issue and report back to the Board with recommendations.
	c)	Each committee shall have a Board approved Terms of Reference.	**Complied** All the Terms of Reference are Board-approved.
	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.	**Complied** Each committee has a Secretary appointed under the supervision of its Chairman. The secretary is responsible for arranging meetings and maintaining minutes and records.
	e)	The quorum of each committee shall consist of at least half of the committee members.	**Complied** During 2025, the quorum for all meetings was in line with the direction's requirements.
	f)	The Board shall present a report on the performance of each committee, on the duties and roles at the annual general meeting.	**Complied** The report of each Board committee is included in the Annual Report.
6.2	**Audit Committee**		
	a)	The Chairperson of the Committee shall be 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 recognised professional accounting body.	**Complied** A duly qualified Independent Director has been appointed as the Chairperson of the Board Audit Committee (BAC).
	b)	All members of the Committee shall be Non-Executive Directors, with a majority of independent directors. The members shall possess a collective balance of skills and expert knowledge in finance, accounting and auditing commensurate with size, scale, diversity and complexity of operations of the Bank.	**Complied** All members of the committee are Non-Executive Directors, with a majority being Independent Directors. Together, they possess a balanced combination of skills and expert knowledge in the relevant field.
	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.	**Complied** Complied with the CBSL requirements.

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Section	Rule		Level of Compliance
	d)	The Committee shall make recommendations on matters in connection with: (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 external 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 external auditor, provided that the engagement of the external auditor shall not exceed six years and shall change the particular engagement partner once in every three years.	**Complied** The committee makes recommendations on: (i) The re-appointment of Messrs. Ernst and Young, Chartered Accountants, as the Bank's External Auditors for audit services in compliance with the relevant regulations and guidelines; (ii) the implementation of the Central Bank guidelines issued to external auditors from time to time; (iii) The application of relevant Accounting Standards, including the requirements of the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) in compliance with the IFRS and the IAS complying to it in all material respects; and (iv) Reviewed and recommended the service period and audit fee.
	e)	The Committee shall review and monitor the external auditor's independence, integrity, objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	**Complied** BAC reviews and monitors the independency of the External Auditor as well as the objectivity and the effectiveness of the audit processes.
	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: (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and, (iii) whether the nature of the non-audit services, the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the external auditor.	**Complied** The committee has implemented a process for engaging an External Auditor to provide non-audit services considering relevant statutes, regulations, requirements and guidelines. Additionally, relevant information was obtained from External Auditors to ensure the independence or objectivity, was not compromised by providing any non-audit services.

Section	Rule		Level of Compliance
	g)	The Committee shall, before the audit commences, discuss and finalise with the external auditor, the nature and scope of the audit, including: (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.	**Complied** The External Auditors presented their proposed audit plan and scope to the Board Audit Committee. The committee discussed and agreed on the nature and scope of the audit to be performed in accordance with the Sri Lanka Auditing Standards.
	h)	The Committee shall review the accounting policies/ systems and the internal control framework with a view to ensuring greater transparency and integrity of the Bank's financial reporting process and the adequacy of accounting and other internal controls.	**Complied** The committee reviews the Bank's accounting policies, systems, and internal control framework to ensure transparency, integrity, and adequacy in the financial reporting process and related internal controls.
	i)	The Committee shall 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 the significant financial reporting judgements contained therein. In reviewing the Bank's annual report and accounts and quarterly reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	**Complied** The committee has demonstrated its responsible for reviewing the Bank's financial information to ensure the integrity of its financial statements, annual report, accounts, and quarterly disclosures. This review has focused on major judgmental areas, changes in accounting policies, significant audit adjustments, the going concern assumption, and compliance with applicable accounting standards and legal requirements.
	j)	The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss including those matters that may need to be discussed in the absence of CEO and key management personnel, if necessary.	**Complied** Complied with the requirements.
	k)	The Committee shall review the external auditor's management letter and the management's response thereto.	**Complied** BAC reviewed management letter and the management's responses thereto.

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Section	Rule		Level of Compliance
	l)	The Committee shall take the following steps with regard to the internal audit function of the Bank: (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the Chief Internal Auditor (CIA) and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of CIA, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including CIA 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; and, (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	**Complied** the Board Audit Committee approved the annual audit plan, prepared by the Internal Audit Department. The plan covers the scope and resource requirement for Audit Plan; The Head of Audit updates the BAC on Status of the Audit Plan and actions taken by the management in response to Internal Audit recommendations; The Audit Committee Chairman appraises the Head of Audit, while the performance appraisals of senior staff are conducted by the Head of Audit and reviewed by the BAC. The Audit Committee recommends appointments and resignations where necessary.; The BAC Terms of Reference covers the stipulated requirement; and The Audit Committee affirms the independent discharge of the activities of the internal audit function with impartiality, proficiency, and due professional care.
	m)	The Committee shall consider the major findings of internal investigations and management's responses thereto.	**Complied** The committee reviewed investigation reports, considered major findings and management responses, and provided appropriate recommendations where necessary.
	n)	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.	**Complied** The Head of Audit, Secretary to the Audit committee, attends meetings regularly and the Chief Financial Officer, Director/CEO and other Corporate Heads attended meetings by invitation as appropriate. The committee met the External Auditors 8th February 2025 and 28th July 2025 during 2025 without the Executive Directors being present.
	o)	The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	**Complied** The Terms of Reference of BAC grants its authority to investigate into any matter; obtain the resources which it needs to carry out the investigation; full access to information , authority to obtain external professional advice and to invite outsiders with relevant experience to be involved, if necessary.
	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.	**Complied** The BAC met 8th February 2025 and 28th July 2025 during the year with due notice. The agenda and the papers for discussion, consideration, and approval were circulated prior to the meeting. The minutes of the meetings were maintained by the Secretary to the committee, the Head of Internal Audit.

Section	Rule		Level of Compliance
	q)	The secretary of the Committee (who may be the company secretary or CIA) shall record and keep detailed minutes of the Committee meetings.	**Complied** The Head of Audit, who is the Secretary of the committee, records and maintains all minutes of the meetings.
	r)	The Committee shall: (i) ensure effective implementation of the Board approved whistleblowing policy; and, (ii) ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.	**Complied** The Bank has in place a board approved Whistleblowing Policy, which was reviewed during the year. The BAC ensured that all employees were duly informed and appropriately guided on the effective use of the Whistle-Blower process. Arrangements are in place for the Internal Audit Department to carry out independent investigations on whistle-blower complaints and to report the findings to the BAC.
	s)	The Committee shall act as the key representative body for overseeing the bank's relations with the external auditor.	**Complied**
6.3	**Human Resources and Remuneration Committee**		
	a)	be chaired by a director who is not the chair of the Board and preferably independent;	**Complied** Chairman of the committee is not the chairman of the Board.
	b)	preferably be constituted with a majority of Independent Directors;	**Complied** Out of three Directors, two Directors are independent.
	c)	require CEO to be present at the meetings upon invitation, except when matters relating to CEO are being discussed;	**Complied**
	d)	determine the remuneration policy in relation to salaries, allowances, special payments/benefits made at termination or retirement, and other financial and non-financial benefits made to Directors, CEO and the key management personnel;	**Complied** Board-approved Remuneration Policy is in place to determine remuneration in relation to Directors, CEO and KMPs of the Bank.
	e)	set goals and targets for the directors, CEO and the key management personnel;	**Complied** Goals and Targets for KMPs had been set for the year 2025 and committee approves goals and targets for Directors.
	f)	evaluate the performance of CEO and the key management personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives;	**Complied** A balanced scorecard was used to set the targets for the Key Management Personnel in 2025. Their performance will be assessed in the first quarter of 2026 against the set targets. The revision of remuneration in 2026 will be linked to the 2025 performance of the respective KMPs.
	g)	ensure that the prior written approval of the shareholders is obtained for any special payments/ financial and non-financial benefits to be made to the directors, CEO and key management personnel at the termination of employment or at the retirement.	**Complied** Prior written approval of the shareholders is obtained for any special payments, financial and non-financial benefits to be made to the Directors, CEO and Key Management Personnel at the termination of employment or at the retirement.
	h)	coordinate with the Integrated Risk Management Committee to ensure that the compensation made to directors, CEO and key management personnel is within the risk appetite limits of the Bank; and,	**Complied**

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Section	Rule		Level of Compliance
	i)	Establish a policy on claw-back arrangements for performance based payments made to CEO and key management personnel 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. Such policy shall articulate the process to be followed by the licensed bank prior to giving effect to the claw-back arrangements ensuring procedural propriety, fair hearing and transparency. The claw-back procedure of the licensed bank shall be incorporated into the employment contracts of CEO and key management personnel and a similar arrangement shall be implemented for the existing CEO and key management personnel.	**Complied** The policy and procedure on claw-back arrangements are approved on the board held in January 2026.
6.4	**Nomination and Governance Committee:**		
	a)	be chaired by an independent Director who is not the chair of the Board and shall be constituted with a majority of independent directors. CEO may be present at meetings by invitation except when matters relating to CEO are being discussed;	**Complied** The Nomination and Governance Committee is chaired by an Independent Director who is not the chair of the Board and is constituted with a majority of Independent Directors.
	b)	implement a formal and transparent procedure to identify, nominate and recommend new Directors, CEO and the key management personnel;	**Complied** Board-approved policy is in place to select and appoint new Directors, CEO and KMPs.
	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;	**Complied** A policy is in place for 'Selection Criteria for Directors, CEO, and KMPs which includes the required criteria for appointments and promotions. All Key Management Personnel have been appointed with the approval of the committee. A fit and proper certificate from the CBSL has been obtained for all appointments of KMPs.
	d)	obtain the views of the Integrated Risk Management Committee in selecting CRO and CCO and that of the Audit Committee in selecting CIA;	**Complied** No appointments were observed during 2025.
	e)	consider and recommend (or not recommend) 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;	**Complied** The committee has considered and recommended the appointment of current Directors. A Board-approved policy and process are in place ensure the same.
	f)	quarterly evaluate the status of independence of the independent Non-Executive Directors in terms of the Direction 2.5 b) 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;	**Complied** Based on the quarterly evaluations carried out, there were no changes to the independent status of the Independent Non-Executive Directors during 2025 requiring notification to the Director of Bank Supervision As a practice, at each Board meeting, the Company Secretary has inquired from Directors and quarterly confirmations obtained.

Section	Rule		Level of Compliance
	g)	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 positions;	**Complied** Board approved policy is in place for 'Selection Criteria for Directors, CEO, and Key Management Personnel' which includes the required criteria for appointments and promotions. All KMPs have been appointed with the approval of the committee.
	h)	consider and recommend from time to time, the requirements of additional/new expertise to the Board and the succession arrangements for retiring Directors;	**Complied** The Nomination Committee has a procedure in place to appoint Directors, and all new appointments have been made in accordance with this procedure.
	i)	ensure that the bank has a robust succession plan for CEO and the key management personnel with an effective and transparent process to: (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; (ii) groom the selected successors for the respective positions by identifying and mitigating the skill/ knowledge gaps for the respective area; and, (iii) review the succession plan at least on an annual basis.	**Complied** Succession arrangements for the CEO and KMPs were reviewed and approved by the Board in 2025.
	j)	ensure that 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;	**Complied**
	k)	identify the training needs of the Directors and make recommendations to the Board relating to training, capacity building and professional development programmes for the Directors on a regular basis;	**Complied**
	l)	review the structure, size, qualifications and composition of the Board and Board committees to ensure effective discharge of duties and responsibilities; and,	**Complied** Nomination and Governance Committee reviews the organisational structure of the Bank.
	m)	ensure that the overall corporate governance framework and policies of the bank are reviewed, updated and effectively implemented considering all applicable laws and regulations and industry/ international best practices.	**Complied** The Bank has an established Corporate Governance Framework, which is reviewed, updated, and effectively implemented in a timely manner, taking into consideration all applicable laws and regulations, as well as industry and international best practices.
6.5	**Integrated Risk Management Committee**		
	a)	be chaired by an Independent Director who is not the chair of the Board or any other Board committee;	**Complied**
	b)	consist of at least three Non-Executive Directors with a majority of independent directors. The Committee members shall have sound collective experience in risk management issues and practices in relation to banking and/or financial services:	**Complied** A Board-approved Terms of Reference for the Board Integrated Risk Management Committee (BIRMC) is in place. The committee consists of three Non-Executive Directors, including two of Independent Directors.

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Section	Rule		Level of Compliance
	c)	A majority of the members of the Committee shall not be constituted by the members of the Audit Committee and vice versa;	**Complied**
	d)	require CEO, CRO, CCO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks to attend the meetings on a needs basis;	**Complied** CEO, CRO, CCO and key management personnel have attended the meetings on a need basis relating to the supervision of broad risk catergories.
	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**
	f)	establish an independent risk management function responsible for integrated risk management of the Bank;	**Complied** The Risk Management Department assess and presents the risk report to each IRMC meeting.
	g)	assess all risks, i.e., credit, market, liquidity, operational, information security and strategic risks to the Bank on a monthly basis through appropriate risk indicators and management information.	**Complied** The Risk Management Department assesses all risks in a timely manner.
	h)	advise and report to the Board on the Bank's exposures against the risk appetite;	**Complied** The Risk Management Department quarterly monitors the Bank's exposures against the risk appetite and quarterly reports to BIRMC.
	i)	oversee the functioning of CRO. The Committee shall receive regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches;	**Complied** The committee oversees the functioning of CRO and receives timely reports and regular communications from the Risk Management Department.
	j)	oversee the 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** The committee oversees the Bank's strategies against the relevant risks to the Bank ensuring the consistency with the risk appetite.
	k)	review the adequacy and effectiveness of all management level committees that are related to risk taking activities, such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee;	**Complied** The committee reviews the adequacy and effectiveness of all management level committees.
	l)	take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements;	**Complied** The committee identifies specific risks in a timely manner through reports and other communications and provides prompt recommendations to mitigate the effects of such risks.
	m)	meet at least quarterly to assess all aspects of risk management including updated business continuity plans;	**Complied** The committee meets at least quarterly and at regular intervals.

Section	Rule		Level of Compliance
	n)	take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee;	**Complied** The Board-approved-Disciplinary Policy includes provisions specifying criteria for different situations.
	o)	submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions;	**Complied** Risk assessment reports are circulated to Board members within a weeks time from the date of IRMC.
	p)	establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines 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** A compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, and approved policies in all areas of business operations. This function is headed by the Compliance Officer, who reports directly to the Board Integrated Risk Management Committee. The compliance function assesses the Bank's internal controls and approved policies in all areas of business operations.
	q)	establish an effective communication and coordination mechanism with the 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; and,	**Complied** The bank has an established effective communication and coordination mechanism with the Audit Committee to facilitate exchange of information to ensure effective management of all risks.
	r)	without prejudice to the tasks of the Human Resources and Remuneration Committee, examine whether the incentives provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the Bank.	**Complied**
6.6	**Related Party Transactions Review Committee**		
	a)	be chaired by an Independent Director who is not the chair of the Board;	**Complied** An Independent Director is the chairman of the Related Party Transactions Review Committee (RPTRC).
	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;	**Complied** The Related Party Transactions Review Committee consists of four Non-Executive Directors, three of whom are independent.
	c)	ensure that a clear policy, procedures and processes are in place for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations;	**Complied** The Bank has established a clear policy, procedures, and processes for identifying, monitoring and reporting related party transactions on an ongoing basis in line with applicable laws and regulations.
	d)	review the 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;	**Complied** The committee reviews related party transactions as defined in the relevant laws and regulations, prescribed by CBSL to avoid any conflicts of interest that may arise from such transactions.
	e)	quarterly report to the Board, the details of related parties, related party transactions and economic consequences of the related party transactions;	**Complied** A comprehensive report detailing related parties, related party transactions and their economic impact has been submitted to the Board from the second quarter onwards.

Corporate Governance

Section	Rule		Level of Compliance
	f)	ensure that a 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; and,	**Complied** The Policy on Related Party Transactions ensures that a Director abstains from participating in discussions on any Board decision on transactions related to the Director or any of his/her close relation or a concern in which the Director has a substantial interest.
	g)	ensure that the Bank does not engage in transactions with related parties as defined in Direction 7.1 in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the bank carrying on the same business.	**Complied** The Board-approved Policy on Related Party Transactions enhances transparency and incorporates all provisions required under this rule to ensure full compliance. Furthermore, the Board Related Party Transactions Review Committee reviews such transactions in accordance with the policy to prevent any form of preferential treatment.
7	**RELATED PARTY TRANSACTIONS**		
7.1	Related Parties The categories of persons considered as "related parties" for the purpose of this Direction are as follows. 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.		**Complied** The policy identifies categories of persons considered as 'related parties' in line with the corporate governance directions.

Section	Rule	Level of Compliance
7.2	**Type of Related Party Transactions**	
	The type of transactions with related parties that shall be covered by this Direction shall include the following. a) The grant of any type of accommodation, as defined in the Banking Act Directions on Maximum Amount of Accommodation/ Large Exposures of Licensed Banks. b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments. c) The provision of any services of a financial or non-financial nature provided to the bank or received from the bank. d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	**Complied** The Policy on Related Party Transactions ensures that the Bank identifies and appropriately manages transactions with related parties to avoid any potential conflicts of interest.
7.3	**Applicability of Banking Act Provisions**	
	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.	**Complied** All related party accommodations are granted in compliance with the provisions of Section 47 and Section 76K of the Banking Act.
7.4	**Accommodation Granted to Directors and Connected Parties**	
	Where any accommodation has been granted by a licensed bank to a person or to 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, and if: a) the necessary security as approved by the Central Bank of Sri Lanka is not provided, within one year from the date of appointment of such person as a Director; and, b) any amount due on account of such accommodation, together with interest, if any, is not settled within the period specified at the time of grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of the director, whichever is earlier, in the event such security is not provided by the period as provided in a) above; such Director shall be deemed to have vacated the office of director. This Direction, however, shall not apply to a 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.	**Complied** All related party accommodations are granted in full compliance with the provisions of Section 47 and Section 76K of the Banking Act.

Corporate Governance

Section	Rule	Level of Compliance
7.5	**Accommodation Granted to Employees**	
	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.	**Complied** All related party accommodations are granted in full compliance with the provisions of Section 47 and Section 76K of the Banking Act.
7.6	**Writing-off of Accommodation to Related Parties**	
	No accommodation granted by a licensed bank to related parties given in Direction 7.1, nor any part of such accommodation, nor any interest due thereon shall be written-off without the prior approval of the Central Bank of Sri Lanka and any writing-off without such approval shall be void and of no effect.	**Complied** No such instances occurred during the year 2025.
8	**SENIOR MANAGEMENT**	
8.1	The overall responsibility of the Board shall not be construed as an obligation to undertake the inspection of day-to-day activities, but shall rather be understood as an obligation to 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:	**Complied** The Board, through its engagement with subcommittees and the conduct of annual assessments, ensures that Senior Management executes the Bank's daytoday operations in a prudent and sound manner, fully aligned with the strategies and policies approved by the Board.
	e) 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, f) hold the senior management members accountable for the actions.	**Complied** The Board has established a procedure for the selection and appointment of Senior Management to ensure that their knowledge and expertise remain appropriate. Key responsibilities are outlined in their respective job descriptions, holding them accountable for their actions.
	a) define the areas of authority and responsibilities of the senior management;	**Complied** Key responsibilities are outlined in their respective job descriptions, holding them accountable for their actions.
	b) ensure that the actions of senior management are consistent with the business strategy and policies approved by the Board;	**Complied** Goals and targets set for the year 2025 for Senior Management have been aligned with the business strategy and the policies approved by the Board.
	c) meet regularly, on needs basis, with the senior management to review the progress towards achieving corporate objectives;	**Complied** Senior management meets members of the Board through Board subcommittees on an as-needed basis.
	d) question and critically review explanations and information provided by the senior management;	**Complied**
	e) 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,	**Complied** The Board has established a procedure for the selection and appointment of Senior Management to ensure that their knowledge and expertise remain appropriate.

Section	Rule		Level of Compliance
	f)	hold the senior management members accountable for the actions.	**Complied** Key responsibilities are outlined in their respective job descriptions, holding them accountable for their actions.
8.2	**Criteria to Assess the Fitness and Propriety of Senior Management**		
	In terms of Section 44A and Section 76H of the Banking Act, the senior management of licensed banks as determined by the Central Bank of Sri Lanka 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.		**Complied**
8.3	**Responsibilities of Senior Management**		
	a)	contribute substantially to a licensed Bank's sound corporate governance framework through personal conduct;	**Complied** Bank ensures that the Senior Management abide by the Bank's Corporate Governance Code.
	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;	**Complied**
	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;	**Complied** Senior Management ensured the effective implementation of business strategies, risk management systems, and a strong risk and compliance culture, together with the processes and controls necessary to manage both financial and non financial risks, in accordance with the directions issued by the Board.
	d)	recognise and respect the independent duties of the risk management, compliance and internal audit functions and shall not interfere in the exercise of such duties;	**Complied** The functions of Risk Management, Compliance, and Internal Audit are independent from the business, and there has been no interference in the execution of their duties.
	e)	receive access to regular training to maintain and enhance competencies and keep abreast of developments relevant to the respective areas of responsibility;	**Complied**
	f)	be responsible for delegating duties to staff and overseeing such delegated duties;	**Complied**
	g)	establish a management structure that promotes accountability and transparency throughout the Bank;	**Complied**
	h)	ensure that appropriate remedial or disciplinary action is taken if breaches are identified;	**Complied** A disciplinary procedure is in place.

Corporate Governance

Section	Rule		Level of Compliance
	i)	regularly provide the Board and the Board subcommittees as applicable with the information of material matters including but not limited to; (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.	**Complied** Board and the Board sub-committees are updated including; (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.	**Complied**
9	**DISCLOSURES**		
9.1	**Board Responsibilities on Disclosures**		
	The Board shall ensure adequate and timely public disclosures of relevant information including but not limited to key performance indicators, capital adequacy, liquidity, business concentrations, related party transactions, corporate governance, financial statements, etc., are made with a view to facilitating enhanced market discipline and transparency commensurate with the size, scale, diversity and complexity of operations of the Bank. The Board shall ensure that annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.		**Complied** Disclosures are made in accordance with all relevant requirements.
9.2	**Minimum Disclosures to be made in the Annual Report** The Board shall ensure that the following minimum disclosures are made in the Annual Report.		
	a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	**Complied** Please refer page 179.
	b)	A report by the Board on the Bank's internal control mechanism which confirms 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.	**Complied** Please refer pages 187 to 188.
	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.	**Complied** Please refer pages 189 to 190.

Section	Rule		Level of Compliance
	d)	Details of Directors, including names, transactions with the bank and the total fees/remuneration paid by the bank.	**Complied** Please refer pages 106 to 109 and 184.
	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.	**Complied** Please refer pages 183 to 184.
	f)	The aggregate values of remuneration paid by the bank to its CEO and the key management personnel and the aggregate values of the transactions of the bank with its CEO and key management personnel, set out by broad categories such as remuneration paid, accommodation granted, and deposits or investments made in the Bank.	**Complied** Please refer pages 183 to 184.
	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.	**Complied** Please refer pages 126 to 127.
	h)	The following shall be disclosed in the Annual Corporate Governance Report: (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.	**Complied** The Bank has obtained External Auditor's factual finding report on this Corporate Governance Report. Please refer page 181. Please refer page 182.
	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.	**Complied** Please refer pages 185 to 186.
	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.	**Complied** There is no such non-compliance issues pointed out by the Director of Bank Supervision to be disclosed to the public.

Corporate Governance

Section	Rule		Level of Compliance
	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.	**Complied** Please refer page 183.
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.		**Complied** There were no such incidents during 2025.

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

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

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

Anti-Corruption Policy

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

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

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

Implementation of Anti-Corruption Policies

The Bank has implemented an anti-corruption compliance programme that includes training, due diligence of third parties and mandatory reporting and ensure that all Bank employees undergo the training programme. The Bank maintains books and records that accurately reflect its transactions, the use of its assets, and other similar information, and a reasonable system of internal controls.

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

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

Responsibility

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

Disclosure 2-26

Reporting Channels

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

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

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

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

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

Compliance with Cybersecurity

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

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

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

Data Security and Privacy

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

Conclusion

The Bank's comprehensive approach to corporate governance reflects its commitment to operating with the highest standards of integrity, transparency, and accountability. By maintaining robust governance structures, effective risk management, strong internal controls, and a culture of ethical conduct, the Bank aims to create sustainable value for all stakeholders while maintaining the trust and confidence that is essential for long-term success in the banking sector.

The Board and management remain committed to continuous improvement of governance practices, adapting to evolving regulatory requirements, stakeholder expectations, and industry best practices.

Board Audit Committee Report

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

Composition of the Committee

The Board Audit Committee comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Profiles of the Directors representing the Committee are given on pages 104 to 109 of this Annual report. The Chairperson, Mr. Mahesh Nanayakkara, is a Fellow of the Chartered Institute of Management Accountants (UK) and counts over 30 years' experience in the financial services industry.

The composition of the Committee as of 31st December 2025 is as follows.

Name	Directorship Status	Membership Status	Date Appointed to the Committee
Mr. Mahesh Nanayakkara	Independent, Non - Executive Director	Chairperson	06.12.2024
Ms. Dilshani Wijayawardana	Independent, Non - Executive Director	Member	21.07.2017
Mr. Sanjay Pokhrel	Non-Independent, Non-Executive Director	Member	06.11.2023

Meetings

The Committee met six times (6) during the year 2025, with meetings held as it deems necessary but not less than once each quarter. The attendance of the Committee Members at each meeting is detailed in the table on page 127 of this Annual Report. Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and other key management personnel, and representatives of the external auditor attended the meetings by invitation.

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

Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Information Officer and Head of Internal Audit are regular invites to the Committee. The Messrs. Ernst & Young (External Auditor) also attended four (4) out of six (6) meetings by invitation during the period.

Charter of the Committee

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

The Banking Act Direction No. 5 of 2024 on 'Corporate Governance for Licensed Commercial Banks in Sri Lanka', the Companies Act, the Securities and Exchange Commission Act, the Listing Rules of the Colombo Stock Exchange and the 'Code of Best Practice on Corporate Governance', issued by The Institute of Chartered Accountants of Sri Lanka, further regulate the composition, roles and functions of the Committee.

Financial Reporting

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

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

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

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

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

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

External Audit

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

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

The committee evaluated the External Auditor, covering key areas such as scope and delivery of audit, resources and quality assurance initiatives, during the year 2025.

The Committee met with the External Auditor twice (2) during the year, without the presence of Key Management Personnel to ensure that there were no limitations of the scope in relation to the audit and to allow for the full disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no cause for concern.

Independence of the Auditors

The Committee obtained assurance in writing from the external auditor on their independence throughout the conduct of the audit engagement in accordance with professional ethical standards and applicable rules & regulations.

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

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

Risks and Internal Control

The Committee continued to assess the adequacy, efficiency and effectiveness of the Bank's internal control systems. Through the internal audit function that reports directly to the Committee, the effectiveness of the Bank's internal control over financial reporting as at 31st December 2025 was assessed, as required by the section 3.8(ii) (b) of the Banking Act Direction No 5 of 2024 on Corporate Governance for Licensed Commercial Banks in Sri Lanka and based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee is satisfied with the reliability of the financial reporting system as disclosed on pages 187 and 188, Directors' Statement on Internal Control over Financial Reporting. Furthermore, the External Auditor has issued an Assurance Report on Directors' Statement on Internal Control over Financial Reporting.

The Committee focused on specific operational areas of the Bank and held detailed discussions with the members of Corporate Management to ensure the adequacy and effectiveness of the Bank's internal controls over such operational aspects and Information security including preventing leakage of material information to unauthorised persons.

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

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

Internal Audit

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

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

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

Board Audit Committee Report

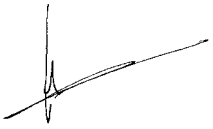
The Committee reviewed and satisfied itself with the performance of the Head of Internal Audit and other senior staff members of the Internal Audit Department. Independent discussions were held with the Head of Internal Audit, without presence of Key Management Personnel, to ensure the independence of the Internal Audit Department's operations.

Whistleblowing

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

Committee Evaluation

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



Mahesh Nanayakkara
Chairman,
Board Audit Committee

27 February 2026
Colombo

Board Integrated Risk Management Committee Report

The Board Integrated Risk Management Committee (BIRMC), the apex body which assists the Board of Directors through ensuring adequacy and effectiveness of the Bank's Risk Management Framework, comprised of three Non–Executive Directors.

Composition of the Committee

Name	Directorship Status	Membership Status	Date Appointed to the Committee
Mr. Sabry Ibrahim	Independent, Non-Executive Director	Chairman	02.12.2024
Dr. Dharmasri Kumaratunge	Independent, Non-Executive Director	Member	02.12.2024
Mr. Gyanendra Dhungana	Non-Independent, Non-Executive Director	Member	30.10 2025

- Mr. Malay Mukherjee, Non-Independent, Non-Executive, retired on 26th July 2025
- Mr. Sanjay Pokhrel, Non-Independent, Non-Executive, Resigned on 30th October 2025

Meetings

The Committee met 6 times during the year 2025. The attendance of the Committee Members at each meeting is detailed in the table on page 127 of this Annual Report. The Director/ Chief Executive Officer and the Chief Risk Officer attended these meetings by invitation.

Major Initiatives Implemented in 2025

Amidst the shifting political landscape and dynamic market conditions prevailing in Sri Lanka during 2025, the banking sector encountered considerable challenges that demanded agility and foresight. Against this backdrop, Union Bank adopted a forward-looking approach, proactively assessing emerging risks and reinforcing its enterprise-wide risk management architecture to ensure resilience, prudence and sustained stability.

Credit Risk Management

- The Bank undertook a comprehensive review of its credit and collateral frameworks to ensure continued alignment with prevailing market trends, regulatory expectations and macroeconomic developments.
- The Credit Risk Management Framework, encapsulating the Bank's policies, procedures and governance protocols were refined and updated to reflect the evolving risk environment.
- Delegated lending authorities and credit approval hierarchies were periodically reviewed to empower regional/branch wise decision-making, thereby enhancing operational agility and improving credit turnaround times.
- Risk thresholds were recalibrated in line with the Bank's risk appetite and global best practices, ensuring prudent risk-reward balance.
- A series of capacity-building initiatives—including specialised training and knowledge-sharing forums—were conducted to deepen staff expertise in credit underwriting, portfolio management and restructuring practices.
- The Bank initiated a comprehensive review and independent validation of its internal risk rating model to enhance its predictive reliability and robustness.

Portfolio Risk Management

- A detailed Watch List Guideline was introduced to facilitate early identification and management of emerging stress signals within the lending portfolio.
- The Bank's Internal Capital Adequacy Assessment Process (ICAAP) was reviewed to ensure capital buffers remained well above regulatory minimum, supported by rigorous stress testing across variables such as asset quality, market volatility, concentration risk and macroeconomic shifts.
- Multiple industry-wide risk assessments were conducted to evaluate sectoral exposures and implement corrective strategies to optimise portfolio resilience.
- The Risk Dashboard was substantially enhanced to provide greater analytical depth and real-time oversight of enterprise-wide exposures.
- Retail Lending Product Programme Guidelines (PPGs) were revised to address emerging credit trends, mitigate vulnerabilities and improve operational turnaround times.
- The Bank conducted periodic portfolio diagnostics to evaluate credit quality, monitor early warning indicators and identify potential sectoral shifts.
- Enhanced hindsight reviews were undertaken across Retail Loans, Credit Cards and Leasing products to ensure full compliance with internal credit policies and regulatory expectations.
- The Risk Appetite Statement was reassessed in line with strategic direction and the prevailing economic climate.

Board Integrated Risk Management Committee Report

Loan Review Mechanism

- Findings on policy deviations and procedural exceptions were systematically discussed with business units to clarify policy intent and institute remedial measures.
- Loan Review Mechanism (LRM) observations and lessons learned from Stage 3 exposures were disseminated among Business and Credit Teams to elevate underwriting quality and strengthen credit administration standards.
- A structured knowledge dissemination programme was launched, whereby critical LRM insights were periodically shared with Business Units, Legal, Corporate Management Team and other relevant stakeholders, reinforcing a culture of prudent credit governance and post-disbursement vigilance.

Market Risk

- The Bank's Treasury limits were comprehensively reviewed and revised, introducing enhanced thresholds aligned with market best practices and regulatory guidance.
- Investment caps and exposure limits were re-evaluated and complemented by strengthened monitoring mechanisms to manage volatility across foreign exchange and securities markets.
- Daily MIS reporting was enriched with expanded data sets to facilitate more informed and timely decision-making.
- A new rate tolerance monitoring framework was implemented, ensuring tighter control over pricing deviations and improved oversight of treasury operations.
- Comprehensive stress testing continued to be applied across liquidity, foreign exchange and interest rate risk domains, with outcomes feeding directly into the Bank's strategic decision-making processes.

Operational Risk

- The Bank conducted its annual Risk and Control Self-Assessment (RCSA) across all business lines and regional operations to evaluate risk profiles, identify control weaknesses and implement targeted mitigation strategies.
- The Operational Risk Management Framework was reviewed and refined to incorporate contemporary industry developments and global standards.
- On-site operational control reviews were performed to detect and rectify control deficiencies while strengthening the internal control environment.
- The Bank's Product Programme Guidelines (PPGs) and internal policies were reviewed in line with new product developments and process changes to ensure proactive risk mitigation.
- Continuous monitoring of Key Risk Indicators (KRIs) and trend analysis of operational loss events were conducted to identify root causes and implement durable control enhancements.
- A bank-wide Operational Risk Awareness Programme was successfully rolled out via the Learning Management System (LMS), reinforcing staff preparedness and risk awareness.
- The Fraud Risk Management Framework was strengthened, with potential frauds and irregularities reviewed monthly at the Fraud Risk Management Committee (FRMC), leading to the introduction of both preventive and detective control measures.
- Comprehensive Business Continuity Planning (BCP) and Disaster Recovery (DR) drills were conducted for all critical functions, benchmarked against the ISO/IEC 22301 Business Continuity Management System (BCMS) standard.
- Targeted training and simulation exercises were held for BCP coordinators and key BCMS team members to enhance organisational resilience and crisis response capability.

Information and Cyber Risk

Recognising the criticality of technology in modern banking operations, the Bank established a dedicated Information and Cyber Risk Unit in 2025, with a mandate to oversee and manage technology-related risks in accordance with industry best practices and regulatory expectations.

- The Unit's primary objective is to ensure full compliance with Central Bank of Sri Lanka (CBSL) Directions No. 16 and 05, while safeguarding the Bank's information assets from technology-driven threats.
- The Information and Cyber Risk Team commenced comprehensive branch-level assessments to evaluate system resilience, access control effectiveness and cybersecurity hygiene.
- Level 2 Review is a formal, independent assessment performed on Information Security, Cyber Security, Governance Risk and Compliance functions to verify that Level 1 Information/Cybersecurity/ Risk Management controls are correctly identified, adequately mitigated and properly reported. As part of its initial operational roadmap, the following Level 2 Reviews were implemented to strengthen the Information and Cyber Risk oversight framework:
  - User Access Management Review
  - Privileged Access Review
  - Firewall and Perimeter Security Review
  - Third-Party Vendor Risk Assessment
  - Risk Assessments for New or Modified Systems
  - Computer and User Activity Log review (Section 5.3 in TRMR Framework of CBSL)
  - Information and Classification and Labeling Review (Section 5.4 in TRMR Framework of CBSL)

- These initiatives collectively reinforced the Bank's Information Security and Cyber Resilience Framework, ensuring alignment with both regulatory directives and international cybersecurity standards.

Group Risk

- Regular Senior Executive-level meetings were held to evaluate the compliance and risk positions of Group entities, identify potential challenges and to determine appropriate corrective actions.
- Quarterly performance and risk reports were tabled and discussed at Board Integrated Risk Management Committee (BIRMC) meetings, enabling a consolidated view of Group-level exposures.
- The Chief Risk Officer (CRO) of the Bank continued to participate in the BIRMC meetings of both UB Finance and NAMAL in the capacity of member/ advisor, thereby ensuring alignment and consistency across the Group's risk governance practices.

Looking Ahead – Key Initiatives for 2026

Building on the progress achieved during 2025, the Bank has identified the following strategic initiatives to further strengthen its risk management and governance landscape in 2026:

Credit Risk Management

- The Bank has embarked on the upgrade of its Loan Origination System (LOS) in collaboration with an external technology partner. The modernisation will streamline workflows, reduce manual interventions and significantly enhance turnaround times for credit proposals.
- Active exploration is underway to integrate Artificial Intelligence (AI) into the credit evaluation and data validation processes. This initiative aims to enhance the precision of credit assessments, automate routine validations and further improve the overall effectiveness of credit risk management.
- An independent validation of the internal rating model by an external expert is in progress, ensuring enhanced accuracy and credibility in credit risk assessment.
- The Bank plans to introduce new rating models for Retail portfolios, complementing the Corporate and SME models.
- Continued focus will be placed on staff upskilling through frequent credit familiarisation programmes designed to cultivate a prudent and risk-conscious credit culture.

Portfolio Risk Management

- The Risk Appetite Statement will be further reviewed to ensure alignment with the Bank's long-term strategic plan and anticipated economic conditions.
- Increased emphasis will be placed on industry-level risk reviews to identify emerging opportunities and heightened risk areas, enabling proactive portfolio adjustments.

Loan Review Mechanism

- The Credit Policy will be reviewed and updated based on insights from LRM findings, ensuring continuous improvement in underwriting standards and monitoring discipline.
- The post-disbursement review function will be extended to the recently introduced Leasing product line, with corresponding enhancements incorporated into the Credit Policy.

Market Risk

- A new Treasury System will be introduced to strengthen monitoring mechanisms, automate reporting and enhance overall treasury risk governance.
- The Bank's Management Information System (MIS) will be upgraded to offer real-time dashboards with drill-down functionality for foreign exchange, interest rate and liquidity risk metrics providing management with timely and actionable insights.

Operational Risk

- The Bank will further strengthen and refine its Key Risk Indicators (KRIs) to reflect its evolving operational risk profile.
- Implementation of a comprehensive Operational Risk Dashboard is planned, integrating key operational risk components to provide management with a consolidated view of emerging trends and risk concentrations.
- The root cause analysis process will be enhanced to ensure that operational incidents translate into structural control improvements across the organisation.

Group Risk

- The Bank will further reinforce Group risk monitoring mechanisms through the introduction of new analytical tools, enhancing transparency and comparability of risk exposures across subsidiaries.

Charter of the BIRMC

The Charter of the Board Integrated Risk Management Committee (BIRMC) was formally approved by the Board of Directors, setting out the Committee's composition, duties, authority and accountability framework. The Charter outlines the governance structures and functional responsibilities in detail, as further elaborated in the section titled "Risk Review" of this Annual Report.

Meetings of the BIRMC

During 2025, the BIRMC convened six meetings, conducted primarily in hybrid mode to facilitate participation and ensure continuity in oversight.

Primary Responsibilities of the BIRMC

The BIRMC is entrusted with implementing the Risk Strategy approved by the Board of Directors. It is responsible for reviewing the Bank's overall risk profile and ensuring that all significant risk categories—including Credit, Market, Operational, Liquidity and Information and Cyber Risks —are effectively managed within the parameters of the approved Risk Appetite Statement.

Board Integrated Risk Management Committee Report

Using relevant risk indicators and management information, the Committee provides the Board with timely recommendations to strengthen internal controls and enhance the overall risk governance framework.

Other Responsibilities of the Committee

The BIRMC also maintains oversight over the Legal and Compliance Risk Management functions, ensuring that the Bank operates within applicable regulatory frameworks and internal governance standards.

- The Compliance Department supports both the Board and the Corporate Management Team in managing compliance risk.
- During 2025, the BIRMC reviewed and approved the Compliance Policy, which defines the Bank's compliance philosophy, objectives, the roles and responsibilities of the Compliance function.
- The Compliance function continued to enhance the Bank's compliance culture through the dissemination of regulatory updates, targeted training programmes, newsletters and e-learning initiatives.

Compliance and Governance Alignment

The BIRMC has been constituted in full compliance with Section 6 of the Banking Act Direction No. 5 of 2024 on Corporate Governance for Licensed Commercial Banks in Sri Lanka.

The Committee's composition and scope are fully consistent with this Direction and its activities are guided by the Bank's Integrated Risk Management Framework (IRMF), formulated in line with CBSL Banking Act Direction No. 7 of 2011.

In accordance with Section 6.4(o) of the same Corporate Governance Direction, the BIRMC submits a Quarterly Risk Assessment Report to the Board within one week of each meeting, ensuring timely escalation of key risks and enabling informed Board-level decision-making.

Professional Advice

The Board of Directors provides overall oversight of the Bank's Business and Risk Strategy, supported by the Risk Appetite Statement.

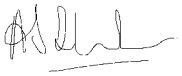
In light of persistent macroeconomic vulnerabilities during 2025, the Board's risk governance direction evolved accordingly. The Committee remains satisfied with the successful implementation of key risk management initiatives that have contributed to maintaining the Bank's financial stability and operational resilience.

Committee Evaluation

During the year, the BIRMC evaluated the adequacy and effectiveness of the Bank's risk management infrastructure by reviewing the performance of associated management committees, including:

- Asset and Liability Committee (ALCO)
- Executive Risk Management Committee (ERMC)
- Operational Risk Management Committee (ORMC)
- Fraud Risk Management Committee (FRMC)
- Outsourced Services Management Committee
- IT Steering Committee
- Productivity/Turn Around Time (TAT) Committee
- Digital Monetisation Committee
- Information Security Committee (ISC)

This multi-layered review process ensured that all supporting governance structures operated cohesively under the overarching risk management framework, thereby reinforcing the Bank's culture of disciplined risk oversight and sound decision-making.



Mr. Sabry Ibrahim
Chairman
Board Integrated Risk Management Committee

27 February 2026
Colombo

Nomination and Governance Committee Report

Composition of the Committee

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

The following Directors, whose profiles are given on pages 106 to 109 of the Annual Report, currently serve on the Committee:

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

Reporting to the Board

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

The Committee reports directly to the Board.

Meetings

The Committee met five times during the year 2025, with meetings held on a quarterly basis. The attendance of the Committee Members at each meeting is detailed in the table on page 127 of this Annual Report. The Director/ Chief Executive Officer and the Senior Vice President – Chief People and Transformation Officer attended these meetings by invitation.

Charter of the Committee

The Committee was established by the Board in compliance with Section 6.4 of the Banking Act Direction No. 05 of 2024 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" issued by the Central Bank of Sri Lanka under the Banking Act No. 30 of 1988 (as amended) and also meets the requirements under the Listing Rules of the Colombo Stock Exchange.

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

Key Responsibilities of the Committee

The key responsibilities of the Committee are as follows,

- Reviewing and evaluating the structure, size and composition of the Board and its subcommittees to ensure that they are effectively configured to discharge their duties and responsibilities.
- Evaluating the appointment of Directors to the Board and its subcommittees, ensuring that no Committee member is involved in decisions regarding their own appointment.
- Establishing and maintaining an updated procedure for the selection, appointment and re-election of Directors to the Board with a focus on assessing their fitness and propriety, qualifications, competencies and independence in compliance with applicable statutory and regulatory provisions.
- Implementing a procedure for the identification, selection and appointment of new Directors, Executive Director/ CEO and Key Management Personnel (KMP's) in accordance with the applicable regulations, statutory provisions, and guidelines.
- Considering and recommending the re-appointment/re-election of current Directors, taking into account their knowledge, experience, the performance and contribution respectively made by each such Director to meet the strategic demand of the Company, the overall discharge of the Board's responsibilities and the number of directorships held by each of them in other listed and unlisted companies and their other principal commitments.
- Setting the eligibility criteria including qualifications, experience and key attributes required to be considered for appointment or promotion to the positions of CEO and KMP's.
- Ensuring that Directors, Executive Director/ CEO and KMP's are fit and proper persons to hold office as per the criteria specified under Statutory and Regulatory requirements.
- Considering and recommending the requirements of additional/new expertise and the succession arrangements for retiring Directors and KMP 's from time to time.
- Reviewing the Charter of the Committee periodically, to ensure that it reflects changing statutory and regulatory requirements as well as industry best practices at all times.
- Assessing the performance of the Committee annually.
- Reviewing and recommending enhancements to the Company's overall corporate governance framework, ensuring alignment with applicable statutory and regulatory provisions and industry best practices.
- Periodically assess and update the corporate governance policies and framework to reflect regulatory and legal developments.

Nomination and Governance Committee Report

- As a best practice, receiving regular reports from the Company's Management on compliance with the Corporate Governance framework, including adherence to the Securities and Exchange Commission of Sri Lanka Act, Listing Rules of the Colombo Stock Exchange and other applicable laws.
- Reviewing any instances of deviations or non-compliance along with the rationale provided for such occurrences.

Activities in 2025

During the year, the Committee reviewed the fitness and propriety of Directors in accordance with the provisions of the Banking Act No. 30 of 1988 (as amended) and the relevant Directions issued thereunder. Based on these evaluations, the Committee made recommendations to the Board regarding the continuation in office of the respective Directors. It also advised the Board on the re-appointment of Directors retiring by rotation and seeking re-election at the Annual General Meeting, with due consideration given to each Director's performance and contribution to the effective discharge of the Board's responsibilities.

The Committee also evaluated the fitness and propriety of a potential Board candidate and recommended their appointment to the Board as a Director.

In line with internal policies and applicable regulatory requirements, the Committee reviewed the expertise, skills, and capabilities of both internal and external candidates to identify suitable individuals for several key managerial positions. Succession planning at the level of Key Management Personnel (KMP) remained a key focus area, with the Committee engaging in in-depth deliberations and making strategic recommendations to ensure alignment with the Bank's long-term objectives and strategic goals.

Furthermore, the Committee oversaw the appointment of senior executives and supported the refinement of leadership roles to strengthen the Bank's overall management structure. To reinforce leadership continuity, the Committee approved enhancements to the Bank's succession planning framework, including the establishment of formal succession policies and the refinement of criteria for future leadership appointments.

In fulfilling its governance responsibilities, the Committee conducted periodic reviews of the independence of the Bank's Independent Non-Executive Directors and confirmed their continued independence throughout the year.

Additionally, the Committee reviewed and adopted necessary updates to the Bank's governance practices, including revisions to the Code of Corporate Governance, the Nominations and Governance Committee Charter, and other related policies to ensure alignment with evolving laws and regulatory requirements.

Disclosures by the Committee

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

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

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

All eligible Directors have consistently submitted themselves for re-election at the prescribed intervals in terms of the Articles of Association of the Company.

The Company ensures diversity on the Board in terms of experience, skills, age and gender, recognising these factors as essential for effective Board performance as evidenced by the profiles of Directors given on pages 106 to 109 of the Annual Report.

The Company has effectively implemented policies and processes for the appointment and reappointment of Directors. Below are the details of the Directors who are recommended by the Board for re-election for the ensuing year, based on the Committee's recommendation:

Name of the Director	Board Subcommittee Memberships	Date of First Appointment as a Director	Date of Last Re-election as a Director	Number of Directorships in Other Entities	Material Relationships
Mr. Ahamed Sabry Ibrahim	Board Integrated Risk Management Committee – Chairman Human Resource and Remuneration Committee – Member Related Party Transactions Review Committee - Member	15.08.2021	28.03.2024	3 entities in Sri Lanka	None
Mr. Nirvana Kumar Chaudhary	Nomination and Governance Committee - Member	26.10.2023	27.03.2025	1 entity in Sri Lanka	None
Mr. Sanjay Pokhrel	Board Audit Committee - Member	06.11.2023	27.03.2025	2 entities in Sri Lanka	None

Below are the details of the Director who is recommended by the Board for election for the ensuing year, based on the Committee's recommendation:

Name of the Director	Board Subcommittee Memberships	Date of First Appointment as a Director	Number of Directorships in Other Entities	Material Relationships
Mr. Gyanendra Prasad Dhungana	Human Resource and Remuneration Committee – Member Board Integrated Risk Management Committee - Member Related Party Transactions Review Committee - Member	09.09.2025	None in Sri Lanka	None

Declaration by the Committee

The Company has established an effective process for the regular evaluation of the Board of Directors and the Director/CEO to ensure that their responsibilities are being effectively fulfilled.

The Company has established a process to ensure that Independent Directors are promptly informed of any major issues affecting the Company.

The Company has already complied with the Corporate Governance requirements outlined in the Listing Rules, including recent updates. Additionally, the Company has adopted the latest amendments issued under the Banking Act No. 30 of 1988 (as amended) to ensure full compliance with these regulations.

Evaluation of the Committee's Effectiveness

As part of the annual evaluation of performance of the Board, the performance and effectiveness of the Committee was also assessed and the Board was kept informed of the outcome of such evaluation for appropriate steps to be taken.



Dilshani Wijayawardana
Chairperson
Nomination and Governance Committee

24 February 2026
Colombo

Human Resources and Remuneration Committee Report

Disclosure 2-19, 2-20

The Human Resources and Remuneration Committee (HRRC) operates in accordance with the Human Resources and Remuneration Committee Charter. The Committee is responsible for setting and maintaining policies and practices that ensure effective human resources management and appropriate remuneration within the Bank.

The HRRC Committee is constituted of the following members of the Board of Directors:

Composition of the Committee

Name	Directorship Status	Membership Status	Date appointed to the Committee
Ms. Dilshani Wijayawardana	Independent, Non-Executive	Chairperson	01.04.2017
Mr. Sabry Ibrahim	Independent, Non-Executive	Member	02.12.2024
Mr. Gyanendra Dhungana	Non-Independent, Non-Executive	Member	30.10.2025

- Mr. Malay Mukherjee, Non-Independent, Non-Executive, retired on 26th July 2025

Meetings

The Committee held 05 meetings during the year 2025, with meetings held on a quarterly basis. The attendance of the Committee Members at each meeting is detailed in the table on page 127 of this Annual Report . The Director/ Chief Executive Officer and Senior Vice President – Chief People and Transformation Officer attended meetings by invitation.

The minutes of these meetings reflect the decisions of the Committee, including Recommendations were presented at subsequent monthly meetings of the Board of Directors for discussion, approval, and ratification or to otherwise be acted upon by the Board.

Objectives of the Committee

- To establish and maintain performance-based and industry-aligned remuneration policies for Directors, the Chief Executive Officer, Key Management Personnel, and Staff.
- To set goals and targets for Directors, the Chief Executive Officer, and Key Management Personnel, and to assess their performance in relation to these objectives.
- To assist the Board in addressing Corporate Governance matters related to the Committee's responsibilities.
- To prepare a sustainable succession plan for all Key Management Positions.
- To assist the Board in relation to Workforce Stability, Demographics, Productivity and Skill Development.

During the year under review, the Committee placed significant emphasis on cultivating and enhancing the Bank's talent pool. Efforts were directed toward ensuring that the Bank possessed the necessary professional, managerial, and operational expertise required to accomplish its strategic objectives. By focusing on the continuous development and strengthening of internal capabilities, the Committee aimed to align the workforce's skills and competencies with the overall goals of the Bank. This approach supported the effective achievement of the Bank's objectives and contributed to sustained organisational success.

Key Focus Areas in 2025

The Committee identified several key focus areas for 2025 to ensure the continued growth and effectiveness of the Bank's workforce. These focus areas are aligned with the Bank's strategic objectives and emphasize competency development, cultivating a performance-driven culture, and acquiring top talent for sustained competitive advantage.

Governance and HR Policies

The Committee reviewed and updated both charters of HRRC and Nomination and Governance Committee (NGC), including all relevant HR policies, and approved changes where required to ensure that the Bank's HR policies remain relevant and consistent and are compliant with all legal and regulatory requirements.



Dilshani Wijayawardana
Chairperson
The Human Resources and Remuneration Committee

27 February 2026
Colombo

Related Party Transactions Review Committee Report

Composition of the Committee

The Related Party Transactions Review Committee ('the Committee') comprises of four Non-Executive Directors, the majority of whom are Independent, appointed by the Board of Directors (the Board) of Union Bank of Colombo PLC ('the Company').

The following Directors whose profiles are given on pages 106 to 109 of the Annual Report currently serve on the Committee.

Name	Directorship Status	Committee Membership Status	Date Appointed to the Committee
Dr. Dharmasri Kumaratunge	Independent, Non-Executive	Chairman	06.12.2024
Mr. Sabry Ibrahim	Independent, Non-Executive	Member	15.08.2021
Mr. Mahesh Nanayakkara	Independent, Non-Executive	Member	06.12.2024
Mr. Gyanendra Dhungana	Non-Independent Non-Executive	Member	30.10.2025

- Mr. Malay Mukherjee, Non-Independent, Non-Executive, retired on 26th July 2025

Reporting to the Board

The Committee reports directly to the Board of Directors, and the Minutes of all Committee meetings were tabled at the subsequent Board Meetings, ensuring full transparency and timely escalation of matters requiring Board attention.

Meetings

In keeping with the Committee's Terms of Reference, the Committee convened four (04) scheduled meetings during the financial year, with meetings held on a quarterly basis. The attendance of the Committee Members at each meeting is given on the table on page 127 of this Annual Report.

The Committee ensured that all Directors with an interest in any transaction abstained from participating in deliberations, in strict adherence to the Banking Act No. 30 of 1988 (as amended), the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Commercial Banks Sri Lanka ('Direction'), the Companies Act requirements on directors' interests and the Company's own Code of Corporate Governance.

Terms of Reference

The Terms of Reference ('TOR') of the Committee sets out its functions in accordance with the applicable legal and regulatory framework governing Related Party Transactions. This includes the provisions of the Banking Act No. 30 of 1988 (as amended), the Directions and Determinations issued by the Central Bank of Sri Lanka (CBSL), the Listing Rules of the Colombo Stock Exchange, the Sri Lanka Accounting Standard LKAS 24 on Related Party Transactions and the Company's Related Party Transactions Policy.

The Committee has direct access to all relevant data and information necessary to effectively discharge its responsibilities. The Committee has a further right to seek independent professional advice from external experts, as permitted under the Listing Rules, to support its deliberations and decision-making. The TOR is subject to periodic review based on statutory, regulatory as well as operational requirements.

Key Responsibilities of the Committee

The TOR approved by the Board provides for the responsibilities and functions of the Committee, which include:

- Ensuring that a clear policy, procedures and processes are in place for identifying, monitoring and reporting related-party transactions on an on-going basis in line with applicable laws and regulations.
- Reviewing all the related-party transactions of the Bank prior to the transaction being entered into, and/or if the transaction is expressed to be conditional on such review prior to completion of the transaction including the transactions defined in section 7 of the Direction, particularly transactions with the persons who are considered as "related parties", as defined in the Direction and as per the Listing Rules, to prevent any conflicts of interest that may arise from such transactions.
- Advising the Board to convene a shareholders' meeting and to obtain shareholder approval as and when mandatorily required, for related-party transactions, complying with the regulatory requirements.
- In the absence of a Related Party Transactions Review Committee of a subsidiary, which is a listed entity, functioning as the Related Party Transactions Review Committee of such subsidiary on the instructions and advice of the Board of the Company.
- Ensuring that a quarterly report is submitted to the Board containing the details of related parties, related-party transactions and economic consequences of the related-party transactions.
- Reviewing and making recommendations for changes to the Related Party Transactions Policy of the Company from time to time, as and when deemed fit.

Related Party Transactions Review Committee Report

- Considering any other matters relating to a related party transaction, as the Management, the Committee or the Board may think relevant taking into account the interests of the stakeholders as a whole when entering into a related-party transaction and to prevent a related- party taking advantage of his or her or its position.
- Referring related-party transactions for approval of the Board if warranted, in accordance with the Bank's formally established procedures with regard to granting approval for diverse categories of transactions.
- Ensuring that any credit facilities, accommodations or similar transactions granted to Directors or their related interests are reviewed and confirmed to be in compliance with the Banking Act and other regulations in particular, that such transactions receive prior approval by the Board of Directors by the required majority (with interested Directors abstaining) as required by Section 47 of the Banking Act, and that they are secured with "approved securities" or otherwise conform to the CBSL's Determination on Approved Securities for Related Party Accommodations. In cases where special conditions (such as protective covenants in loan agreements in lieu of collateral) are used as allowed by regulators, the Committee monitors these to ensure the Company's interests remain safeguarded.

Related Party Transactions Policy

The Company has in place, a Board approved Related Party Transactions Policy ('the Policy') whereby categories of persons who shall be considered as 'related parties' have been defined in line with the applicable rules and regulations, including the Listing Rules, the Direction and the Sri Lanka Accounting Standards on Related Party Transactions.

The Policy provides for the establishment and maintenance of a process for the identification, clarification and reporting the related party transactions on an end-to-end basis across the Company and a procedure to ensure that the Company does not engage in transactions with related parties in a manner that would afford such parties 'more favourable treatment' owing to the positions respectively held by them.

The Policy was reviewed in February 2025 to ensure alignment with evolving laws and regulatory requirements.

Methodology Used by the Committee

In the performance of its duties, the Committee emphasises the avoidance of 'conflicts of interest' which may arise from any transaction of the Company with any person, particularly with related parties and ensures arm's length dealings with related parties and strict compliance with the provisions of the Listing Rules, the Direction, the Company's mechanism on Managing and Handling Conflicts of Interest and the Policy.

Activities in 2025

Subject to the exemptions under Section 9.14.10 of the CSE Listing Rules, all related party transactions falling within the Committee's purview were reviewed in detail and the Committee's observations and recommendations were submitted to the Board.

The Committee also undertook comprehensive quarterly reviews, which included:

- The details of Related Parties, the related-party transactions, including an assessment of their economic substance and adherence to arm's length principles;
- Quarterly compliance certifications submitted under CBSL and CSE requirements; and
- Quarterly Related Party Transactions Updates.

The Committee also reviewed and recommended for Board approval the revised Related Party Transactions Policy, incorporating updates aligned with the Banking Act, CBSL Directions, the new Corporate Governance Direction, and the CSE Listing Rules.

Details of related-party transactions for the year are disclosed in Note 48 on pages 307 to 310 of the Financial Statements in the Annual Report.

Evaluation of the Committee's Effectiveness

As part of the annual evaluation of performance of the Board, the performance and effectiveness of the Committee was also assessed and the Board was kept informed of the outcome of such evaluation for appropriate steps to be taken.

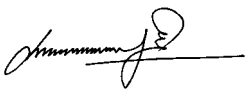
Disclosures and Declarations

In compliance with Section 9.14.8 of the Listing Rules, the Committee confirms that,

(i) transactions with related parties during the financial year ended 31st December 2025 were reviewed by the Committee with the Committee's observations and recommendations thereon being duly communicated to the Board; and

(ii) there were no non-recurrent or recurrent related-party transactions that exceeded the respective thresholds specified in Sections 9.14.8 (1) and (2) of the Listing Rules.

The declaration by the Board that it has complied with the provisions of the Listing Rules relating to related party transactions is contained in the Annual Report of the Board of Directors on the Affairs of the Company on page 183 of this Annual Report.



Dr. Dharmasri Kumaratunge
Chairman
Related Party Transactions Review Committee

24 February 2026
Colombo

Technology & Digital Transformation Committee Report

Introduction and Purpose

The Technology & Digital Transformation Subcommittee supports the Board in driving Union Bank's digital leadership and technology governance. Its core objective is to accelerate revenue-driven digital initiatives, enhance customer-centric technology, modernise core systems and improve operational efficiency ensuring the Bank remains agile, resilient and competitive in a rapidly evolving financial landscape.

Aligned with Union Bank's strategic direction and its brand promise of "Transforming Lives", the Committee guides digital investment prioritisation and risk-aware technology adoption that delivers measurable business value and superior customer experiences.

Composition of the Committee

Name	Directorship Status	Membership Status	Date Appointed to the Committee
Dr. Dharmasri Kumaratunge	Independent, Non-Executive Director	Committee Chairman	02.12. 2024
Mr. Nirvana Chaudhary	Non-Independent, Executive Director	Member	02.12. 2024
Mr. Dilshan Rodrigo	Executive Director/CEO	Member	02.12. 2024

Meetings

The Committee met monthly during the year 2025. The attendance of the Committee Members at each meeting is given on the table on page 127 of this Annual Report.

Strategic Technology Priorities & Governance

The Committee ensures robust governance over the Bank's digital roadmap and technology investments. It brings together Independent Directors, senior management and subject-matter experts to oversee key programmes that strengthen digital capabilities while managing risk and compliance. Reporting and recommendations from the Committee ensure alignment of technology strategy with broader corporate objectives.

Key Mandates and Focus Areas

1. Customer-Centric Technology Enhancements

a. Championing continuous improvement of digital interfaces and services that deliver seamless, intuitive experiences for retail and corporate clients.
b. Encouraging adoption of advanced authentication methods and personalised digital features, including biometric security enhancements in mobile applications.

2. Revenue-Driven Digital Initiatives

a. Oversight of digital banking platforms designed to expand fee income, including enhancements to the UBgo mobile banking app and digital channels that deepen customer engagement and usage.
b. Steering development of digital ecosystems such as BizDirect for corporate and SME customers to support business growth and cross-sell opportunities.

3. Core Systems Modernisation

a. Oversight of core banking upgrades to improve processing speed, integration and capacity for future innovation. Plans include major system enhancements drawn from internal strategy and supported by recent infrastructure investments.
b. Ensuring the Bank's IT infrastructure supports scalability, performance and future digital expansions.

4. Operational Efficiency and Risk Resilience

a. Driving automation and internal process digitisation to optimise operational workflows.
b. Reinforcing cybersecurity governance and resilience, including certifications such as ISO 27001:2022 and PCI DSS 4.0, positioning Union Bank as a secure and trusted institution.

Progress and Achievements

During the year, the Committee provided strategic oversight of several high-impact developments including:

- Digital Channel Enhancements: Launch and roll-out of Digital Zones, expanding 24/7 smart banking services with automated teller and cash recycling machines, enhancing customer convenience and digital access.
- Mobile Banking Innovation: Upgraded UBgo app with enhanced security, richer digital self-service capabilities and expanded functionality as part of the Bank's phased digital transformation plan.
- Infrastructure Strengthening: Continued investments in core systems, data centre capabilities and security frameworks to support digital scale and reliability.

These initiatives reflect the Committee's commitment to embedding digital excellence into the Bank's operating model while driving adoption, efficiency and customer satisfaction.

Technology & Digital Transformation Committee Report

Impact and Outcomes

Union Bank's digital strategy has contributed to growth in digital channel utilisation and improved operational outcomes. Enhanced platforms and systems have helped increase transactional activity and support diversified revenue streams, contributing to stronger fee and commission income.

By reinforcing technology governance, modernising infrastructure and improving user experience, the Bank has strengthened its market position and readiness to pursue future digital opportunities.

Future Outlook

The Committee will continue to prioritise initiatives that deliver strategic value and competitive differentiation. Focus areas for the forthcoming year include:

- Digitising operations by implementing state of art business automation platform to modernise operations and improve service level to be ahead of competition.
- Scaling digital revenue streams and the digital ecosystem across customer segments.
- Drive paperless culture within the Bank's operation by adopting technology driven solutions.
- Advancing technologies such as AI-enabled services for personalised customer experiences.
- Strengthening resilience through elevated cybersecurity and core systems agility.
- By further enhancing customer facing digital solutions such as UBgo, BizDirect to support innovation in payments, self service and open banking frameworks.

The Committee remains steadfast in its role of guiding the Bank's transformation journey, ensuring technology investments are optimised to deliver long-term value for customers, shareholders and stakeholders.



Dr. Dharmasri Kumaratunge
Chairman
Technology and Digital Transformation Committee

27 February 2026
Colombo

Board Strategy Committee Report

In 2025, the Board of Directors established the Board Strategy Committee (BSC) to support the Board in providing strategic direction, oversight and guidance to ensure the Bank's growth and long-term sustainability. The Committee is tasked with assessing and developing strategies including inorganic strategies.

Composition of the Committee

The BSC consists of 4 Directors appointed by the Board of Directors.

Name	Directorship Status	Membership Status	Date appointed to the Committee
Mr. Mahesh Nanayakkara	Independent, Non Executive	Chairperson	29.01.2025
Mr. Sabry Ibrahim	Independent, Non Executive	Member	25.07.2025
Mr. Sanjay Pokhrel	Non Independent, Non Executive	Member	30.10.2025
Mr. Dilshan Rodrigo	Executive Director/CEO	Member	29.01.2025

- Mr. Malay Mukherjee, Non Independent, Non Executive, Resigned on 26th July 2025

We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by Mr. Malay Mukherjee.

The Chief Financial Officer serves as the Secretary to the Committee.

The following officers of the Bank attends Board Strategic Committee meetings by invitation to ensure that the Committee has access to a broad level of expertise and execution capability.

- Chief Business Officer
- Head of Branch Network
- Head of Corporate Banking
- Chief Credit Officer

Other officers of the Bank are invited on a need basis to attend the meetings.

Meetings of BSC

The Committee is required to meet at least once every quarter in line with its Terms of Reference. However, during the year, the Committee convened eight (08) meetings to review the progress of the Bank's Strategy 2025–2028. The attendance of the Committee Members at each meeting is detailed in the table on page 127 of this Annual Report.

A significant portion of these meetings was devoted to steering the transformation of the Bank's balance sheet as it shifts from a predominantly Corporate oriented portfolio to an SME and Retail focused growth model. This included reviewing and recommending changes to ;

- the sales strategy
- Product Yields
- Retail Strategy
- Branch Network Business Model

The BSC also reviewed the revised Strategy for the Bank for the Period 2026-2028 (3 years) prior to recommending same to the Board of Directors for approval. The Committee reviewed the Budget for 2026 for recommendation to the Board of Directors.

These reviews ensure that the Bank remains focused on its key imperatives towards achieving its long-term aspirations. Further the committee reviews the emerging opportunities especially related to its key products and remains responsive to evolving economic indicators and market.

Committee Terms of Reference (TOR)

The BSC's scope includes:

- Assessing and developing strategies.
- Monitoring the implementation of these strategies
- Reviewing the performance of business operations in alignment with the Bank's mission and vision
- Assessing and developing strategies for inorganic growth opportunities for the Bank and for the subsidiaries



Mahesh Nanayakkara
Chairman,
Board Strategy Committee Report

27 February 2026
Colombo

Annual Report of the Board of Directors on the Affairs of the Company

General

The Board of Directors of Union Bank of Colombo PLC ('the Company') is pleased to present the Annual Report of the Board of Directors on the Affairs of the Company (Report) for the financial year ended 31st December 2025. This report is presented together with the Audited Financial Statements of the Company, Audited Consolidated Financial Statements of the Group for that year and the Auditor's Report on these Financial Statements.

This Report has been prepared in accordance with the requirements of the Companies Act No. 07 of 2007 (as amended) and the Banking Act No. 30 of 1988 (as amended), including the Directions issued thereunder. It adheres to the Listing Rules of the Colombo Stock Exchange (CSE) and has been guided by the Code of Best Practice on Corporate Governance 2023.

The Financial Statements and this Report were reviewed by the Board Audit Committee and approved by the Board of Directors (the Board) on 27th February 2026. The requisite copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines. Additionally, once the Annual Report is released to the CSE, a soft copy will be made available on the Company's website.

In compliance with the CSE Listing Rules on electronic distribution, the Annual Report will be provided to shareholders via a digital link to the online report. Shareholders may also request a printed copy, which the Company will dispatch as required.

1. Legal Status

The Company is a Licensed Commercial Bank registered under the Banking Act, incorporated in Sri Lanka as a Public Limited Liability Company in Sri Lanka on 2nd February 1995. Pursuant to the requirements of the Companies Act, the Company was re-registered on 23rd September 2008 under Registration No. PB 676 PQ. The Registered Office as well as the Head Office of the Company are located at No. 64, Galle Road, Colombo 3, Sri Lanka.

The Ordinary Shares of the Company have been listed on the Main Board of the CSE since 29th March 2011.

Fitch Ratings Lanka Limited, in its Annual Rating Review, affirmed the Company's National Long Term Rating at BBB- (lka) with a negative outlook as of 8th September 2025.

2. Vision, Mission and Values

The Company's Vision, Mission and Values are presented on page 6 to 7 of this Annual Report. All business operations are conducted in adherence to the highest standards of ethics and integrity, underscoring the Company's unwavering commitment to achieving its Vision and Mission.

3. Principal Business Activities

Union Bank of Colombo PLC continued to operate as a Licensed Commercial Bank offering a range of financial services. There were no changes to the principal activities of the Bank during the financial year under review. In accordance with Section 168(1) (a) of the Companies Act No. 07 of 2007, the principal business activities of the Company and its subsidiaries are outlined below.

3.1 The Company

The Company's core business activities include commercial banking and the provision of related financial services. These encompass accepting deposits, personal and retail banking, trade finance, offshore banking, resident and non-resident foreign currency operations, corporate and retail lending, pawning, project and lease financing, rural credit, digital banking solutions, money remittance services, and dealing in Government Securities and other treasury-related instruments.

3.2 Subsidiaries

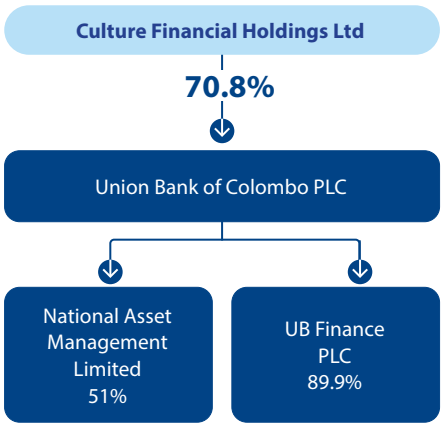
As at 31st December 2025, the Company had two subsidiaries. The principal business activities and the composition of the Board of Directors of these subsidiaries are detailed in the table below.

Name of the Subsidiary	National Asset Management Limited (NAMAL)	UB Finance PLC (UBF)
Principal Business Activities	NAMAL is the pioneer Unit Trust Management company in Sri Lanka established in 1991. With 34 years of experience and a successful track record of investing in equity and fixed income markets, NAMAL launched the first Unit Trust to be licensed in Sri Lanka (National Equity Fund) and the first listed Unit Trust (NAMAL Acuity Value Fund). NAMAL operates five Unit Trusts and offers private portfolio management services as well.	The principal activity of UBF is carrying on finance business by providing financial services, namely accepting deposits, maintaining savings accounts, lease financing, hire purchase, vehicle loans, mortgage loans, pawning, factoring, working capital financing and real estate.

Name of the Subsidiary	National Asset Management Limited (NAMAL)	UB Finance PLC (UBF)
Legal Status and Registered Office	A company incorporated in Sri Lanka as a Limited Liability Company and re-registered under the Companies Act No. 07 of 2007. Registered Office and principal place of business is situated at No. 07, Glen Aber Place, Colombo 03, Sri Lanka.	A company incorporated in Sri Lanka as a Limited Liability Company and re-registered under the Companies Act No. 07 of 2007. Ordinary shares of the Company are listed on the CSE. Registered Office and principal place of business is situated at No. 10, Daisy Villa Avenue, Colombo 04, Sri Lanka.
Company's Shareholding in the Subsidiary	The Company holds 51% of the issued capital of NAMAL	The Company holds 89.9% of the issued capital of UBF
Board of Directors and CEO as at 31st December 2025	Malay Mukherjee - Chairman Kodituwakku Arachchige Prins Perera Brian Carlo Joseph Ravi Anuruddha Dassanayake Sanjay Pokhrel Mohamed Abdul Nassar Hammad Shankanada Yapa Abeywardena Nirupan Wijeyanathan - Chief Executive Officer	Sabry Ghouse – Chairman Raj Moahan Balendra Jayendra Arulraj Setukavalar Sanjay Pokhrel Mohan Joseph Ratnayake Ajantha Sujeewa Dharmasiri Dilshan Rodrigo Shankanada Yapa Abeywardena Ransith Nishantha Karunaratne - Chief Executive Officer/ Executive Director

4. Changes to the Group Structure

There were no changes to the Group structure during the year ended 31st December 2025. The existing structure is illustrated below.



On 25th October 2023, the Company announced to the CSE that CG Capital Partners Global Pte Ltd, a private Company incorporated under the laws of Singapore, acquired all of the shares of Culture Financial Holdings Ltd, the major shareholder of Union Bank. Consequently, CG Capital Partners Global Pte Ltd obtained an indirect material interest in the Company.

5. Review of Operations

A review of the financial and operational performance of the Company during the financial year 2025 is provided in the Chairman's Message on pages 12 to 13, the Chief Executive Officer's Message on pages 14 to 17 and the Business Review on pages 54 to 60 respectively of the Annual Report. These reports form an integral part of this Report.

6. Future Developments

An overview of the future developments of the Company is outlined in the Chairman's Message on pages 12 to 13, the Chief Executive Officer's Message on pages 14 to 17 and the Business Review on pages 54 to 60 of this Annual Report.

7. Financial Statements

The Financial Statements of the Company and the Group for the year ended 31st December 2025 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. These statements comply with the requirements of the Companies Act, the Banking Act, as well as all applicable regulatory requirements and mandated disclosures. As required by Section 168(1) (b) of the Companies Act, the Financial Statements for 2025 duly have been signed by the Chief Financial Officer, two Directors of the Company and the Company Secretary are given on pages 222 to 353 of the Annual Report. These Financial Statements form an integral part of this Report.

8. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Group and the Company and to present a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages 222 to 353 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act, the Sri Lanka Accounting and Auditing Standards Act No.

Annual Report of the Board of Directors on the Affairs of the Company

15 of 1995, the Banking Act, the Banking Act Direction No. 05 of 2024 (the Direction) on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (CBSL) and the Listing Rules.

The Directors' Statement on Internal Controls over Financial Reporting appearing on pages 187 to 188 of this Annual Report, forms an integral part of this Report.

9. Auditor's Report

The Financial Statements of the Company and the Group for the year ended 31st December 2025 were audited by Messrs. Ernst & Young, Chartered Accountants. In accordance with Section 168(1)(c) of the Companies Act, the Auditors' Report on the Financial Statements is presented on pages 217 to 220 of this Annual Report.

10. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Statements are disclosed on pages 229 to 353 of this Annual Report, in compliance with Section 168(1)(d) of the Companies Act.

11. Financial Results and Appropriations

11.1 Income

The gross income of the Group for 2025 was LKR 20,915 Mn (2024: LKR 18,677 Mn), while the Company's gross income was LKR 18,236 Mn (2024: LKR 16,451 Mn). An analysis of the income is given in Note 06 to the financial statements on page 243.

11.2 Profit and appropriations

The Group recorded an increase in profit before all taxes of 60% and an increase in the profit after tax of 120% in 2025.
The Company's profit before all taxes increased by 60% and the increase in profit after tax of the company is 118%.

Total Comprehensive Income (net of tax) of the Group for the year was LKR 485 Mn (2024: LKR 575 Mn) while the Company has recorded a total comprehensive income (net of tax) of LKR 481 Mn (a comprehensive income of LKR 575 Mn in 2024).

Details of the Company's performance and appropriation of profit are tabulated as follows:

	2025 LKR '000	2024 LKR '000
Profit before Income Tax	1,213,182	657,278
Less: Income tax expense	(558,488)	(357,076)
Profit for the year	**654,694**	**300,202**
Profit brough forward from prior year	2,771,202	2,461,628
Profit availble for appropriation	**3,425,896**	**2,761,830**
Transfer to reserve	10,472	(15,010)
Dividend paid for previous year	-	-
Other comprehensive income	(14,503)	24,382
Total appropriation	**(4,031)**	**9,372**
Unappropriated profit carried forward	**3,421,865**	**2,771,202**

Disclosure 207-2

12. Taxation

The Company's operations are subject to Income tax rate of 30% and additionally, the Company is liable for Financial Services VAT and VAT on Non-Financial Services at 18%. The Social Security Contribution Levy (SSCL) is applied at a rate of 2.5%, effective from 1st October 2022.

The Group has also provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 (Income Taxes).

13. Property, Plant and Equipment and Intangible Assets

Information on Goodwill, Intangible Assets, Property, Plant and Equipment and Right of Use of Assets for the Group and the Company are given in Notes 33 and 34 to the Financial Statements on pages 280 to 286 of the Annual Report. The details of capital expenditure approved and contracted for are given in Note 46.2 to the Financial Statements on page 303 of the Annual Report.

14. Value of Freehold Properties

The net book values of freehold properties owned by the Group respectively as at 31st December 2025 are included in the accounts at LKR 39.3 Mn (2024: LKR 39.7 Mn).

15. Stated Capital

As of 31st December 2025, the Company's stated capital was LKR 16,334,781,724 consisting of 1,083,558,338 ordinary voting shares (2024: LKR 16,334,781,724 consisting of 1,083,558,338 ordinary shares).

16. Share Information

Information relating to earnings, dividends, net assets and market value per share of the Company is given in the 'Financial Highlights' Section on page 8 of the Annual Report. Information on the share trading is given in the Section on 'Investor Relations' on pages 358 to 360 of the Annual Report.

17. Shareholdings

As at 31st December 2025, there were 27,956 registered ordinary shareholders (2024: 27,706). An analysis of the shareholding distribution, including the respective percentage holdings, is provided on page 359 of this Annual Report. Information on the twenty largest shareholders, their individual shareholdings, and the percentage of shares held by the public is presented in the 'Investor Relations' section on pages 359 to 360 of the Annual Report.

18. Equitable Treatment to Shareholders

The Company is committed to ensuring that all shareholders are treated equitably and without discrimination, in accordance with applicable laws, regulations, and best practices in corporate governance.

19. The Board of Directors

19.1 Profiles of the Board of Directors

As at 31st December 2025, the Board of Directors of the Company comprised nine members (2024: nine), each bringing extensive financial, commercial, and strategic expertise to the governance of the Company. Brief profiles of the Directors are provided on pages 106 to 109 of this Annual Report.

19.2 Classification of Directors and appointments, retirements and cessations during 2025

In accordance with Section 168(1)(h) of the Companies Act, the names of the Directors who held office during the period from 1st January 2025 to 31st December 2025, including any appointments, retirements, or cessations, are set out below. The classification of each Director as Executive Director (ED), Non-Executive Director (NED), Independent Director (IND), or Non-Independent Director (NID) is also indicated, in compliance with the Listing Rules and the Direction:

Name	Classification	Remarks
Mr. Dinesh Stephen Weerakkody	IND/NED	Director since 01.04.2024, Chairman since 30.09.2024
Mr. Nirvana Kumar Chaudhary	NID/NED	Director since 26.10.2023, Deputy Chairman since 02.12.2024
Ms. Dilshani Gayathri Wijayawardana	IND/NED	Director since 01.04.2017
Mr. Ahamed Sabry Ibrahim	IND/NED	Director since 15.08.2021
Mr. Sanjay Pokhrel	NID/NED	Director since 06.11.2023
Mr. Dilshan Peter Nirosh Rodrigo	NID/ED	Director since 16.08.2024
	CEO	
Dr. Dharmasri Kumaratunge	IND/NED	Director since 27.11.2024
Mr. Mahesh Nanayakkara	IND/NED	Director since 06.12.2024
Mr. Gyanendra Prasad Dhungana	NID/NED	Director since 09.09.2025

19.3 Retirement by rotation/re- election of Directors

In accordance with Articles No. 88 and 89 of the Company's Articles of Association Mr. Ahamed Sabry Ibrahim, Mr. Nirvana Kumar Chaudhary and Mr. Sanjay Pokhrel retire by rotation at the forthcoming Annual General Meeting (AGM). Being eligible, they have offered themselves for re-election. Their re-appointments are supported by the unanimous recommendation of the Board Nomination and Governance Committee and approval of the Board of Directors.

In addition, Mr. Gyanendra Prasad Dhungana, who was appointed to the Board with effect from 9th September 2025 to fill a casual vacancy, will retire at the AGM in accordance with Article 95 read together with Article 88(ii) of the Company's Articles of Association. He has offered himself for election by the shareholders, with the unanimous recommendation of the Board Nomination and Governance Committee and the approval of the Board.

Sections 210 and 211 of the Companies Act, relating to the age limit of Directors, do not apply to the Company. Instead, the Company adheres to the more stringent provisions of Section 3.2 of the Direction, which restricts the age of a Director of a Licensed Commercial Bank to 70 years.

Annual Report of the Board of Directors on the Affairs of the Company

19.4 Other Directorships as at 31st December 2025

Name of Director	Name/s of entities	Position
Mr. Dinesh Weerakkody	Lanka Ashok Leyland PLC	Non-Executive / Independent Director
	Ceylon Hotels Corporation PLC	Non-Executive / Independent Director
	Kerner Haus Global Solutions PLC (formerly Ceylon Printers PLC)	Independent Director
	Abans PLC	Non-Executive / Senior Independent Director
	Life Insurance Corporation (Lanka) Ltd	Non-Executive Director
	Abans Retails Holdings (Pvt) Ltd	Non-Executive Director
	Galle Face Hotel Management Co. Ltd	Non-Executive Director
	Lanka Aluminum Industries PLC	Non-Executive Director
	Cornucopia Lanka Ltd	Non-Executive Chairman
	Haleon Lanka (Pvt) Ltd	Non-Executive Director
	Sri Lanka Institute of Directors	Non-Executive Chairman
	Employers Federation of Ceylon	Non-Executive Chairman
Mr. Nirvana Chaudhary	CG Capital Partners Global Pte. Ltd	Non-Executive Director
	CG Electronics Pvt. Ltd - Nepal	Non-Executive Director
	CG Foods Bangladesh Limited - Bangladesh	Non-Executive Chairman
	Nabil Bank Ltd - Nepal	Non-Executive Director
	Moldcell - Moldova	Non-Executive Chairman
	CG Foods (Nepal) Ltd	Non-Executive Director
	CG Brewery Nepal P. Ltd - Nepal	Non-Executive Director
	CG Cement Industries Pvt. Ltd	Non-Executive Director
	CG Pay Nepal Pvt. Ltd - Nepal	Non-Executive Chairman
	Middle Modi Hydropower Ltd - Nepal	Non-Executive Chairman
	Himal Hydro & General Construction Ltd - Nepal	Non-Executive Director
	John Keells CG Auto (Pvt) Ltd	Non-Executive Director
Ms. Dilshani Wijayawardana	Senkadagala Finance PLC	Non-Executive/ Independent Director
Mr. Sabry Ibrahim	Fintrex Finance PLC	Non-Executive/ Independent Director
	Regal Image International (Pvt) Ltd	Non-Executive/ Independent Director
	Asset Trust Management (Pvt) Ltd	Non-Executive/ Independent Director
Mr. Sanjay Pokhrel	UB Finance PLC	Non-Executive Director/ Non-Independent Director
	National Asset Management Limited	Non-Executive Director/ Non-Independent Director
	Nabil Investment Banking Ltd – Nepal	Non-Executive/Non-Independent Director
	CG Cell Technologies DAC – Ireland	Non-Executive/ Independent Director
Mr. Dilshan Rodrigo	UB Finance PLC	Non-Executive/ Non-Independent Director
	Sri Lanka Institute of Directors	Non-Executive/ Senior Vice Chairman
	Credit Information Bureau of Sri Lanka	Non-Executive Director
Dr. Dharmasri Kumaratunge	Pay Media (Pvt) Ltd	Non-Executive Chairman
Mr. Mahesh Nanayakkara	Citizens Development Business Finance PLC	Managing Director/ Chief Executive Officer
Mr. Gyanendra Dhungana	Apex Fund Limited	Non-Executive Chairman

19.5 Board Subcommittees

In compliance with the Direction and the Listing Rules, the Board has established the following five mandatory Board Subcommittees:

- Board Nomination and Governance Committee
- Board Human Resources and Remuneration Committee
- Board Integrated Risk Management Committee
- Board Audit Committee
- Board Related Party Transactions Review Committee

These committees play a critical role in ensuring that the Company's operations are conducted with integrity, transparency, and in the best interests of all stakeholders.

In addition, the Board has voluntarily constituted the following three committees to further strengthen governance and strategic oversight:

- **Board Credit Committee:** Assists the Board in evaluating and approving credit proposals exceeding a pre-determined threshold, in alignment with the Company's risk appetite.
- **Board Technology and Digital Transformation Committee**: Provides oversight and strategic guidance on the development and implementation of digital banking initiatives, IT infrastructure enhancements, and operational efficiencies.
- **Board Strategy Committee:** Supports the Board in formulating and monitoring the Company's strategic direction to ensure long-term growth and sustainability.

The composition, roles, and responsibilities of all Board Subcommittees as at 31st December 2025 are detailed in their respective reports on pages 162 to 177 of this Annual Report.

19.6 Directors' Meetings

Details of the meetings of the Board of Directors and its Subcommittees and individual Director attendance during the year under review, are provided in the Corporate Governance Report on page 127 of this Annual Report.

19.7 Directors' Remuneration

In accordance with Section 168(1)(f) of the Companies Act No. 07 of 2007, details of the remuneration and other benefits paid to the Directors of the Company and the Group for the financial year ended 31st December 2025 are disclosed in Note 15 to the Financial Statements on page 251 of this Annual Report.

19.8 Interests Register/ Directors' Interest in Transactions

Pursuant to Section 168(1)(e) of the Companies Act, the Company maintains an Interests Register. All Directors have made the necessary declarations of their interests in contracts or proposed contracts with the Company, in accordance with Sections 192(1) and 192(2) of the Act. These declarations have been duly recorded in the Interests Register.

Further details of the Directors' interests in transactions with the Company are disclosed within this Report and in the Related Party Transactions section of the Annual Report on pages 307 to 310.

19.9 Directors' Interest in Shares

In accordance with Section 200 of the Companies Act, the Directors have disclosed their interests in the shares of the Company, including any acquisitions or disposals made during the year. As at 31st December 2025, none of the Directors held any shares in the Company.

20. Related Party Transactions

Details of the Company's related party transactions for the year ended 31st December 2025 are disclosed in Note 48 to the Financial Statements on pages 307 to 310 of this Annual Report.

The aggregate value of remuneration and fees paid by the Company to its Key Management Personnel (KMP), including Directors, as well as the total value of transactions with KMPs, their close family members, subsidiaries, and other related entities as at 31st December 2025, are summarised as follows:

Key Management Personnel	2025 LKR 000	As a % of Total Equity Attributable to Equity Holders of the Bank %
Remuneration and Other Employment Benefits	385,578	2.45
Financial assets at amortised cost - loans and advances to customers		
KMPs	150,582	0.96
Close Family Members	-	0.00
Financial liabilities at amortised cost - Due to customers		
KMPs	107,245	0.68
Close Family Members	7,042	0.04

Annual Report of the Board of Directors on the Affairs of the Company

Directors	2025 LKR 000	As a % of Total Equity Attributable to Equity Holders of the Company
Directors Fees	17,166	0.11%
Financial assets at amortised cost - loans and advances to customers		
Directors	-	0.00%
Close Family Members	-	0.00%
Financial liabilities at amortised cost - Due to customers		
Directors	19,314	0.12%
Close Family Members	-	0.00%

Subsidiaries	2025 LKR 000	As a % of Total Equity Attributable to Equity Holders of the Company
Financial assets at amortised cost - loans and advances to customers	174,072	1.11%
Financial liabilities at amortised cost - Due to customers	1,125,040	7.15%

Others - Companies with Common Director	2025 LKR 000	As a % of Total Equity Attributable to Equity Holders of the Company
Financial assets at amortised cost - loans and advances to customers	576,557	3.66%
Financial liabilities at amortised cost - Due to customers	2,457,657	15.61%

Director of a subsidiary	2025 LKR 000	As a % of Total Equity Attributable to Equity Holders of the Company
Financial assets at amortised cost - loans and advances to customers	-	0.00%
Financial liabilities at amortised cost - Due to customers	-	0.00%

During the year ended 31st December 2025, the Company did not enter into any related-party transactions that exceeded 10% of its equity or 5% of its total assets, whichever is lower. The Company has fully complied with the requirements of the Listing Rules, the provisions of the Banking Act, and the applicable Directions and Determinations issued by the CBSL in relation to the review and approval of related-party transactions.

21. Human Resources

The Company's Human Resource Practices and Policies are designed to enhance the efficiency, effectiveness and productivity of the workforce. These policies are reviewed periodically.

As of 31st December 2025, the Company employed 1,140 individuals, compared to 1,189 as of the previous year.

22. Insurance and Indemnity

Pursuant to a decision of the Board, the Company has obtained an Insurance Policy to cover Directors' and Officers' liability.

23. Employee Share Ownership/Option Plan (ESOPs)

On 1st December 2015 the Company established three share option plans that entitle employees to purchase shares of the Company. The first scheme of employee share grants was issued to employees at the grade of Vice President and above.

By 1st December 2020, options attached to first scheme completed the vesting period and based on pre-agreed targets reserve has been adjusted. The option holders are entitled to exercise the options vested on or before 17th June 2025.

During the year 2023, no options were granted to the employees under the scheme one of ESOP and no options already vested were exercised by them.

The second scheme of the employee share grants was issued to eligible Key Management Personnel of the Company effective 1st April 2021. This ESOP grant provides employees with an option to purchase shares of the Company at the given exercise price once these are vested as per the rules of the plan. Share options are vested based on time ratably over a 5-year period.

During 2025, a total of 9,055,123 options were granted to employees under ESOP Scheme Two. During the same year, 4,764,962 options under Scheme One and 18,110,246 options under Scheme Two expired, resulting in a total of 22,875,208 expired options.
The Board of Directors confirms that neither the Company nor any of its subsidiaries have directly or indirectly provided funds for the ESOP.

24. Environmental Protection

The Directors confirm, to the best of their knowledge and belief, that the Company has not engaged in any activities detrimental to the environment. Details of the specific measures implemented to protect the environment are given on pages 97 to 103 of the Annual Report.

25. Statutory Payments

The Directors confirm, to the best of their knowledge and belief, that all statutory payments due to the Government, regulatory bodies and employees have been paid promptly or, where applicable, adequately provided for.

Disclosure 2-27

26. Compliance with Laws and Regulations

To the best of the knowledge and belief of the Board of Directors, neither the Company nor any entity within the Group has engaged in any activity that contravenes applicable laws, regulations, or regulatory requirements during the year under review. There were zero incidents of non-compliance and zero fines levied on the bank during the year under review.

27. Donations

In accordance with Section 168(1)(g) of the Companies Act, the Board confirms that the Company did not make any donations during the financial year ended 31st December 2025, in line with the resolution passed at the last Annual General Meeting.

28. Going Concern

Following necessary inquiries and reviews, the Board has a reasonable expectation that the Company possesses adequate resources to continue its operation for the foreseeable future. Accordingly, the Financial Statements for the year ended 31st December 2025 have been prepared on a going concern basis.

29. Auditors

Messrs. Ernst and Young, Chartered Accountants, served as the External Auditors of the Company during the year under review. Based on the declaration made by Messrs. Ernst and Young and to the best of the Directors' knowledge and awareness, the Auditors have no relationships or interests in the Company or its subsidiaries.

29.1 Auditors' Remuneration

A sum of LKR 17.62 Mn (2024: LKR 16.27 Mn) and LKR 22.59 Mn (2024: LKR 19.85 Mn) were paid by the Company and the Group respectively for audit related and non-audit services including reimbursement of expenses.

29.2 Appointment of Auditors

Messrs. Deloitte, Chartered Accountants, having expressed their willingness to act as Auditors of the Company, come up for appointment at the Annual General Meeting, upon the recommendation of the Board Audit Committee and the Board.

In accordance with the provisions of the Companies Act, a resolution proposing the appointment of Messrs. Deloitte, Chartered Accountants, as the Company's Auditors for the ensuing financial year, and authorising the Directors to determine their remuneration, will be proposed at the Annual General Meeting.

30. Risk Management and Internal Controls

The Company has a continuous process in place to identify, evaluate and manage the risks it faces. This process detailed in the 'Risk Management' Section on pages 196 to 212 of the Annual Report is regularly reviewed by the Board through the Board Integrated Risk Management Committee.

The Board is satisfied with the effectiveness of the internal control system for the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors' Statement on Internal Controls and the Auditors' Report are given on pages 187 to 188 of the Annual Report.

Annual Report of the Board of Directors on the Affairs of the Company

31. Corporate Governance

The Board of Directors remains firmly committed to upholding the highest standards of corporate governance, recognising that robust governance practices are fundamental to building stakeholder confidence, sustaining long-term performance, and enhancing shareholder value. In managing the affairs of the Company, the Board places strong emphasis on accountability, transparency, ethical conduct, and effective risk management.

A detailed report on Corporate Governance is given on pages 120 to 130 of the Annual Report.

In accordance with Section 9.2(h)(i) of the Direction, the Board confirms that all findings outlined in the "Factual Findings Reports" issued by the Auditors under the "Sri Lanka Related Services Practice Statement 4400" have been duly incorporated into the Corporate Governance Report on pages 131 to 161 of this Annual Report.

The Board of Directors declares that:

(i) The Company has conducted its business in full compliance with all applicable laws and regulations, without engaging in any activities that contravene such provisions. The officers responsible for regulatory compliance provide regular updates to the Board on changes in the legal and regulatory environment and submit quarterly reports confirming the Company's adherence to these requirements;

(ii) All material interests in contracts involving the Company have been duly declared by the Directors, who have abstained from participating in deliberations or voting on matters where a conflict of interest exists;

(iii) The Company has taken all reasonable measures to ensure the equitable treatment of all shareholders;

(iv) The Company has been managed on a going concern basis; and

(v) The Board has conducted a comprehensive review of the Company's internal control systems, including financial, operational, compliance, and risk management frameworks, and has obtained reasonable assurance regarding their adequacy, effectiveness, and proper implementation.

32. Stakeholder Management and Communication

The Board recognises that fostering strong and transparent relationships with stakeholders is essential to the Company's long-term success. Effective stakeholder engagement enables the Company to better understand and respond to stakeholder expectations, mitigate reputational risks, and build enduring partnerships that support commercial sustainability. Details of the Company's stakeholder engagement initiatives and communication strategies are provided in the 'Stakeholder Engagement' section on pages 24 to 26 of this Annual Report.

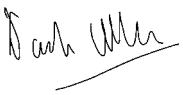
33. Annual General Meeting

The Thirty First (31st) Annual General Meeting of the Company is scheduled to be held on 31st March 2026 at 10:30 a.m. The Notice convening the meeting is enclosed at the end of the Annual Report.

34. Acknowledgement of the Contents of the Report

In accordance with Section 168(1)(k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Report.

For and on behalf of the Board of Directors,



Dinesh Weerakkody
Chairman



Dilshan Rodrigo
Director/ Chief Executive Officer



Laswie Tsung
Company Secretary

24 February 2026
Colombo

Directors' Statement on Internal Control over Financial Reporting

Responsibility

In line with the Banking Act, Direction No 05 of 2024, section 9.2 (b),the Board of Directors present this report on Internal Control over Financial Reporting. The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Union Bank of Colombo PLC, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting deviations, if any from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls could only provide reasonable, but not absolute assurance, against material misstatement on financial reporting and records, and against financial losses or frauds. The Board has established an ongoing process for identifying, evaluating, and managing significant risks faced by the Bank and mitigates such risks by enhancing the system of internal control over financial reporting as and when there are changes to the operations and business environment including compliance with regulatory guidelines. This ongoing process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design operation and monitoring of appropriate internal controls to mitigate these risks.

Key Internal Control Processes

The key processes that have been established in assessing the adequacy and effectiveness of the system of internal controls with respect to financial reporting include the following:

- Committees have been established to assist the Board to ensure the corporate objectives, strategies, annual budget as well as the policies and business directions approved by the Board are implemented effectively and are reflected in the Bank's operations;

- The Internal Audit Division of the Bank checks for compliance with policies and procedures and assesses the effectiveness of the internal control systems on an ongoing basis and highlight significant findings in respect of instances of non-compliance. Audits are carried out to ensure coverage on departments and branches in accordance with the annual audit plan approved by the Board Audit Committee (BAC). The frequency of audits and coverage is determined by the level of risk assessed. The annual audit plan is reviewed periodically by the BAC and the plan aligned to suit the changes in the risk profile of the Bank. Findings from the Internal Audit are submitted to the BAC for review at their periodic meetings;

- The BAC of the Bank reviews gaps in internal controls identified by Internal Audit, External Auditors, Regulatory Authorities, and the Management; and provides advice and direction on remediation and follows up on corrective action taken. The BAC also reviews the Internal Audit function with particular emphasis on the scope and quality of audits. The minutes of the BAC meetings are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the BAC of the Bank are set out in the Audit Committee Report on pages 162 to 164;

- Policies/Charters are developed covering all functional areas of the Bank and these are recommended by Board appointed committees and are approved by the Board. Such policies and charters are reviewed and approved periodically.

- Operational committees have also been established with appropriate mandates to ensure effective management and supervision of the Bank's core areas of business operations.

The banking sector is facing challenges in terms of increase in Fraud risk which could impact the Internal control system. In order to address the specific risk, independent verification needs to be carried out to evaluate whether the company's controls sufficiently address identified risks of material misstatement due to fraud. In addition, focus should be placed on controls intended to address the risk of management override of other controls.

The controls on cybersecurity and data security were also monitored through the assignments handled.

The Bank continued to assess risk on collections and credit culture deteriorations, which could increase the provisioning requirements of the Bank.

In assessing the internal control system over financial reporting, the Bank continues to review and update all procedures and controls that are connected with significant accounts and disclosures in the financial statements. The Bank has processes and procedures to adopt new and revised Sri Lanka Accounting Standards. The Bank will continue to improve procedure manuals incorporating changes to and adopting Sri Lanka Accounting Standards as appropriate.

Directors' Statement on Internal Control over Financial Reporting

During the year, the existing credit impairment models were further refined to incorporate the potential implications on economic changes. The Bank will continue to focus on strengthening the review and testing process of the impairment models and the Financial Statements for the year ended 31st December 2025 in line with SLFRS 9.

The comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2025 in connection with the internal control system over financial reporting will be dealt within the next financial year.

Confirmation

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

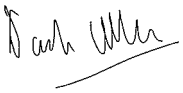
Review of the Statement by External Auditors

The External Auditors, Messrs. Ernst & Young, has reviewed the above Director's Statement on Internal Control over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2025 and reported to the Board that nothing had come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank. Their Report on the Statement of Internal Control over Financial Reporting is given on page 189 to 190 of this Annual Report.

By Order of the Board



Mahesh Nanayakkara
Chairman - Board Audit Committee



Dinesh Weerakkody
Chairman



Dilshan Rodrigo
Chief Executive Officer



Laswie Tsung
Company Secretary

Colombo
27 February 2026

Assurance Report on the Directors' Statement on Internal Control over Financial Reporting

Shape the future with confidence

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Chartered Accountants
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HLF/DUM

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF Union Bank of Colombo PLC

Report on the Directors' Statement on Internal Control over Financial Reporting

We were engaged by the Board of Directors of Union Bank of Colombo PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in page 187 and 188 of 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 "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with section 9.2 (b) of the Banking Act Direction No. 05 of 2024.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities and Compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Charted Accountants of Sri Lanka.

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

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

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

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Assurance Report on the Directors' Statement on Internal Control over Financial Reporting

Shape the future with confidence

with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

27 February 2026
Colombo

Risk Review

Sri Lanka's economic environment in 2025 showed signs of steady stabilisation supported by easing inflation, reduced interest rates and progress in sovereign debt restructuring. However, the operating environment remained complex, marked by pressure on household incomes, global geopolitical tensions, sector-specific weaknesses and rapidly evolving technology-related risks.

Amid these conditions, the Bank continued to prioritise proactive risk management measures to protect financial stability, support business continuity and ensure sustainable long-term growth.

Risk Management Achievements in 2025

- Maintained stable profitability and sustainable growth through disciplined risk management practices.
- Recorded zero cyber incidents, reflecting strengthened cyber defence mechanisms.
- Improved portfolio resilience with enhanced recovery efforts and stress-testing models.
- Upgraded governance and monitoring frameworks for credit, liquidity, and technology risks.

Our Significant Risks/ Emergent Risks in 2025

Declining Interest Rates and Easing Monetary Conditions

Sri Lanka's continued disinflation and accommodative monetary stance lowered overall interest rates during 2025, easing repayment burdens and gradually improving credit appetite. For UBC, this shift supported stronger demand in Retail and SME lending, helped improve borrower repayment behaviour and contributed to lower impairment charges. Reduced funding costs also strengthened UBC's net interest margins, supporting profitability in a gradually improving environment.

Strengthened Macroeconomic and FX Stability

A more stable exchange rate and improved foreign exchange flows created a predictable operating environment for banks. UBC benefited from lower mark-to-market losses on treasury and Foreign Exchange(FX) portfolios, stronger liquidity planning and higher remittance-driven transaction activity. These improvements contributed meaningfully to non-interest income and enhanced overall balance sheet resilience.

Progress in Sovereign Debt Restructuring

Ongoing progress in debt restructuring improved investor sentiment and reduced systemic uncertainty across the financial sector. This reinforced deposit confidence and moderated risk premiums. For UBC, the improved macro outlook supported deposit mobilisation—particularly in foreign currency—and facilitated prudent expansion in corporate and SME lending, while maintaining strong liquidity and capital buffers.

Renewed Activity in Select Corporate and SME Segments

Resilient performance in ICT, logistics, agriculture value chains and niche manufacturing segments helped revive targeted lending opportunities. UBC leveraged this upward momentum to grow quality exposures in better-performing SMEs and mid-corporates, improving portfolio diversification and credit performance while strengthening fee-based income from trade services and cash management products.

Gradual Recovery in Consumer Confidence and Digital Transactions

With inflation stabilising, consumer sentiment improved and transactional banking activity picked up. UBC saw increased engagement across digital banking, card usage and electronic transactions—contributing to higher fee income and CASA growth. The rise in digital adoption also improved operational efficiency and strengthened the Bank's retail franchise.

Persistently Low Disposable Income and Consumer Stress

Despite macro improvements, household financial pressure remained severe due to elevated taxes, high utility costs and slow wage growth. This weakened demand for discretionary banking products and limited borrower repayment capacity. UBC experienced softer growth in certain retail segments and increased monitoring requirements for vulnerable customer categories, necessitating tighter credit controls and customer engagement efforts.

Slow Recovery in Key Economic Sectors

Export-linked industries such as apparel, tea, and manufacturing continued to face reduced global demand and supply-side challenges. These pressures constrained business expansion and weakened credit demand. UBC experienced continued stress within SME exposures in slower-recovering segments, requiring restructurings, strengthened early-warning monitoring and targeted recovery initiatives to safeguard asset quality.

Global Geopolitical Volatility and Commodity Price Fluctuations

External geopolitical tensions drove commodity price volatility and periodic exchange rate pressures. These dynamics raised business operating costs and affected trade-related activity. For UBC, this translated

Risk Review

into heightened treasury risk management requirements, cautious FX position-taking and increased liquidity planning to deal with external uncertainties.

Rising Incidents of Financial Fraud and Cyber Threats

Industry-wide increases in cyber threats, identity theft and digital fraud posed heightened operational risks. While UBC effectively avoided major incidents due to strengthened cybersecurity frameworks and proactive monitoring, the Bank had to significantly enhance its investments in digital security, fraud analytics and customer awareness initiatives, increasing operational complexity and compliance demands.

Elevated Operational Pressures from Staff Turnover

Migration and aggressive industry competition led to higher staff turnover, particularly in specialist and technical roles. UBC faced pressures in resource continuity and service delivery in select functions, prompting the Bank to intensify staff retention strategies, expand training programmes and accelerate succession planning to maintain service quality and operational stability.

Conclusion

The year 2025 was characterised by a delicate balance of economic stabilisation and lingering structural challenges. While declining interest rates, improved FX stability and progress in debt restructuring created a more supportive environment for growth, persistent consumer stress, sector-specific weaknesses and rising cyber risks required continued vigilance. UBC navigated these dynamics with disciplined risk management, targeted portfolio growth and strategic investment in digital capabilities. As a result, the Bank strengthened its operational resilience, preserved asset quality and positioned itself to capture opportunities emerging from the country's gradual economic recovery.

Risk Management

The Bank operates under a robust and comprehensive Risk Governance Framework, duly endorsed by the Board of Directors and systematically deployed across all managerial and operational layers. This framework is intrinsically woven into the Bank's strategic and operational architecture, ensuring the structured identification of emerging risks, disciplined management within the parameters of the established Risk Appetite and the provision of reasonable assurance regarding the attainment of the Bank's strategic objectives.

In this regard, it is essential to evaluate the short, medium and long-term ramifications across all pertinent domains and to articulate a forward-looking strategy that continuously strengthens the Bank's risk management frameworks, processes and systems to preserve operational resilience. Amid current macroeconomic and sectoral conditions, the Risk Management strategy places heightened emphasis on mitigating potential credit quality deterioration through rigorous assessment and facilitation of credit restructuring, complemented by prudent and proactive cash flow management. This strategic posture is further reinforced through enhanced monitoring protocols and active participation in Bank-wide recovery and remedial initiatives.

Simultaneously, Risk Management will assist in reforecasting liquidity management and mitigating Foreign Exchange (FX) risks through effective limits monitoring. Additionally, efforts will be directed towards managing heightened operational risks related to alternative channels and network security. Further Risk Management closely monitors Loan to Deposit ratio (LDR) and Capital Adequacy Ratio (CAR) against the stipulated regulatory thresholds.

Managing the Material Risks

	Credit Risk	Operational Risk	Information and Cyber Risk	Liquidity Risk	Market Risk	Strategic Risk	Reputation Risk
Definition of Risk	Credit Risk is the risk of loss, arising from a borrower's or counterparty's inability to meet its obligations in accordance with the agreed terms.	Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.	Information and Cyber Risk refers to the potential for financial losses, operational disruptions and damage to Bank's reputation due to failures or security breaches within its technology systems.	Liquidity Risk is the risk of a bank's inability to meet its commitments as and when due.	Market Risk is the risk of losses in On or Off balance sheet positions arising from movements in market price.	Strategic Risk refers to the strategic decisions / plans/ objectives which may go wrong due to actions or inactions by the parties to strategic decision making process, adversely affecting the shareholder wealth of the Bank.	Reputation Risk refers to the potential adverse effects, which can arise from the Bank's reputation being tarnished.

	Credit Risk	Operational Risk	Information and Cyber Risk	Liquidity Risk	Market Risk	Strategic Risk	Reputation Risk
Risk Drivers	The drivers of credit risk are various factors that influence the likelihood of defaults such as macro – economic factors, external and systemic risk, lender specific factors, industry specific factors.	The drivers of operational risk are the factors or conditions that contribute to the occurrence of operational risk events increasing the likelihood or impact of operational failures or disruptions.	Information and Cyber Risk can arise from a wide range of internal and external factors, including system failures, Cyber threats, and technology obsolescence.	Liquidity risk arises from the mismatch between banks' short-term funding and long-term illiquid assets.	The Market Risk comprises of Interest Rate Risk (IRR), FX Risk, Equity Price Risk and Commodity Price Risk.	Strategic Risk arises from both internal and external factors that can affect an organisation's ability to achieve its long-term goals.	Reputation risk is driven by a variety of factors that can negatively impact public perception, customer loyalty, investor confidence, and regulatory standing. These drivers can stem from both internal and external sources.
How the Risk is Measured	Measuring the credit risk attached to each credit activity permits the determination of aggregate exposures to counterparties for control and reporting purposes, concentration limits and risk/ reward returns.	The Bank uses qualitative as well as quantitative measurements in assessing Operational Risk (OpRisk). Qualitative Measurements: Risk Control Self-Assessment (RCSA), Scenario Analysis and Self-Assessment Questions(SAQs) Quantitative Measurements: Key Risk Indicators(KRIs), Loss event data analysis Under Basel approach, the Bank uses Basic Indicator Approach for Operational Risk measurement.	The Bank regularly assesses its threat levels through threat detection mechanisms to enhance its information/ Cyber security competencies to identify and prevent information theft, data leakage, Denial of Service attacks (DoS) and intrusion to payment gateways and Bank's network.	Liquidity Risk is managed using the gap assessment and ratios. The Bank also conducts various stress tests to gauge the impact under liquidity crunches at different intensities. Overall, the Asset Liability Management (ALM) process in the Bank is well managed and monitored using various indicators of Liquidity Risk.	The Bank computes Value at Risk for FX, fixed income, equity and the total portfolio, prepare various Management Information Systems (MIS) such as Net Open Position (NOP) analysis, stress tests etc.	Strategic risk of the Bank is assessed separately using a Detailed score-card with a linkage to capital charge.	Reputation risk of the Bank is assessed separately using a detailed score-card with a linkage to capital charge.

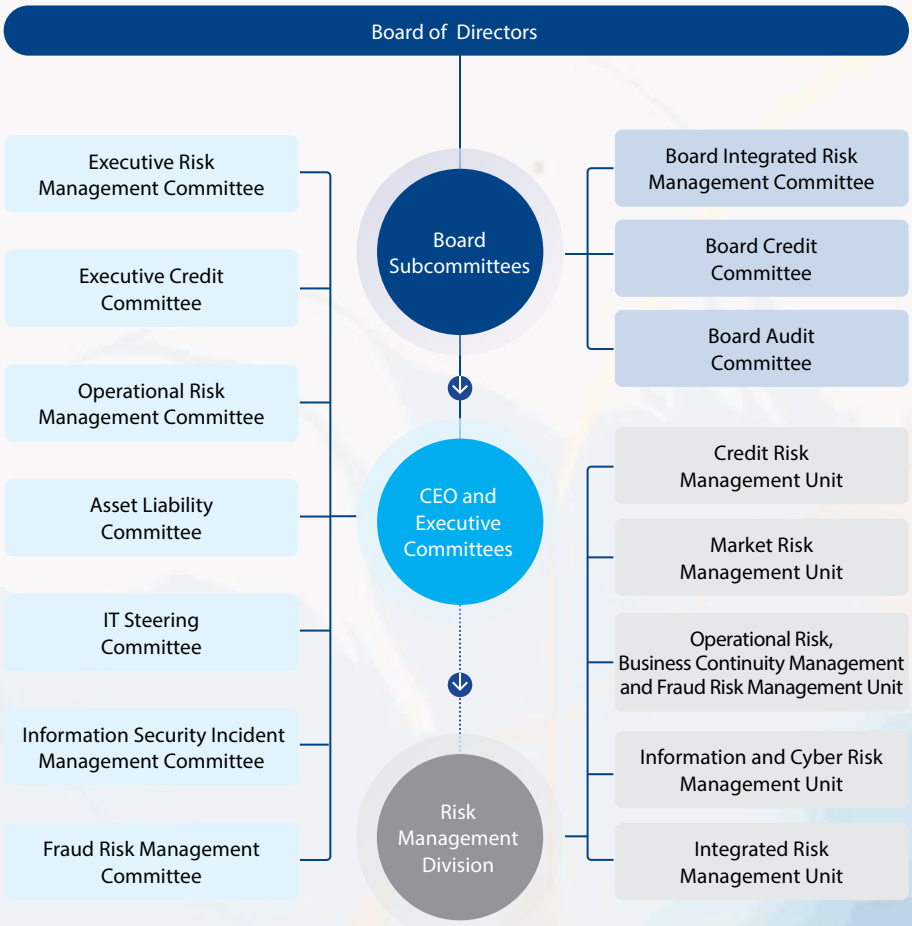
Risk Review

	Credit Risk	Operational Risk	Information and Cyber Risk	Liquidity Risk	Market Risk	Strategic Risk	Reputation Risk
How the Risk is Monitored	Credit portfolio is monitored on an on-going basis and keep The Board Integrated Risk Management Committee (BIRMC) informed through monthly risk indicator reports and quarterly portfolio quality report to BIRMC of the mix and significant changes in the portfolio	The Bank monitors and manages operational risks vis-à-vis a comprehensive set of processes, systems of internal controls and policies, to reduce the probability and potential impact of losses from Operational Risks/ Losses via an automated system. The Bank also uses heat maps to assess the Operational risks.	The Board of Directors shall ensure technology risk appetite is defined through a framework of clearly delineated and measurable technology risk indicators with approved risk tolerance levels. The activities performed in Databases and Operating systems by users are also monitored based on the reports generated daily.	Treasury Middle Office (TMO) continuously monitors the Bank's liquidity position and alerts relevant stake holders if it approaches the trigger points. Besides, the Asset Liability Committee (ALCO) meets regularly to monitor the Liquidity situation at the Bank and to revise the underlying assumptions if necessary.	Any deviations to the set limits and policies are monitored by TMO and notified to the respective business unit. The business units are liable to provide an exceptions report to the ALCO providing reasons, justifications on the deviations.	Strategic risk of the Bank is assessed separately using a detailed score-card.	Reputation risk of the Bank is assessed separately using a detailed score-card.
How the Risk is Managed	All credit risk aspects are governed by the Credit Policy approved by the Board which indicates the credit culture within the Bank and the framework set to balance risks and opportunities.	The Bank manages operational risks by employing the tools and processes provided in the ORMF. Example: Loss event data analysis, RCSA, Scenario Analysis, KRIs and SAQs	Monitoring measures including RCSA processes for third-party service providers and agents in consultation with the Risk Management department.	The Bank has developed internal control processes and contingency funding plans for managing liquidity risk.	Market risk exposures arising from the trading book is managed by the Treasury of the Bank whilst the non-trading activities relating to market risks is managed through the ALM process handled by the ALCO.	The Board of Directors and Senior Management critically review the strategic direction of the Bank.	The Bank ensures the full capture and treatment of all risks through a coordinated risk reporting procedure.
Assessment	Moderate	Moderate	Moderate	Moderate	Low	Moderate	Moderate
Trend	→	→	↑	→	→	→	→

Risk Related Key Management Bodies

Committee	Key Objectives	Represented By
Board Integrated Risk Management Committee (BIRMC)	The committee ensures that Group wide risks are managed within the Risk Strategy & Appetite as approved by the Board of Directors.	Please refer Page 165 to 168.(Board Integrated Risk Management Committee Report)
Board Credit Committee (BCC)	To approve credit proposals in line with the Bank's risk appetite and in line with regulatory requirements under BCC's delegated authority as directed by the Board of Directors.	Chairman, Representative Directors and CEO
Board Audit Committee (BAC)	To assist the Board in maintaining an effective system for internal control, compliance with legal and regulatory requirements of Central Bank of Sri Lanka (CBSL) and Colombo Stock Exchange (CSE) with external financial reporting and internal audit functions.	Please refer Page 162 to 164. (Board Audit Committee Report)
Executive Credit Committee (ECC)	Review and approve credit proposals under ECC's delegated authority as directed by the Board of Directors.	Wholesale Banking, Retail Banking, CEO, CBO, CCO and CRO (as independent observer)
Executive Risk Management Committee (ERMC)	Review, monitor and evaluate the policies and procedures in the areas of credit risk, operational risk and market risk in accordance with the BIRMC guidelines.	Risk Management, Wholesale Banking, Treasury, Retail Banking, Operations, Finance, Compliance, Internal Audit and Information Technology.
Operational Risk Management Committee (ORMC)	Review and monitor the operational risk related areas emanating from people, processes, systems and external events in accordance with the BIRMC guidelines.	Risk Management, Operations, Compliance, Internal Audit, Information Technology, Wholesale Banking, Retail Banking, Human Resources, Legal, Branch Network and Compliance.
Asset Liability Committee (ALCO)	Optimise financial resources and manage the connected risks in the areas of Asset and Liability Management	Risk Management, Wholesale Banking, Retail Banking, Finance and Treasury.
Information Technology Steering Committee (ITSC)	To monitor and review the IT infrastructure to support the optimisation of overall business strategy and mitigate technological risks.	Risk Management, Wholesale Banking, Retail Banking, Operations, Finance, Compliance and Information Technology.
Fraud Risk Management Committee (FRMC)	Regularly review the risks of loss from frauds and to ensure that a structured approach is available/ implemented to identify threats/ control breaches, take appropriate mitigating actions promptly to minimize negative impacts and escalate to BIRMC/ BoD as necessary.	Risk Management, Internal Audit, Legal, Operations, Branch Network, Card Security & Compliance and Information Technology.

Risk Governance Structure





Three Lines of Defence

Three Lines of Defense Principle

The Bank follows industry and international best practices in its risk management processes. It adopts the globally recognised "three lines of defense" model recommended by the Basel Committee. In this model, the first line of defense is the front-line or business-line management, who directly manage risk exposures at their source and are responsible for addressing and controlling the risks within their operational areas.

The second line of defense is the Risk Management Department (RMD), which operates independently under the supervision of the BIRMC to oversee the Bank's corporate risk management framework. The Compliance Department also plays a key role by providing independent oversight to ensure that regulatory requirements and internal policies are properly followed.

The third line of defense is the Internal Audit Department, which carries out independent reviews of the Bank's processes, systems and controls, providing an additional layer of assurance and oversight.

Risk Appetite and Tolerance

Risk appetite defines the extent of risk the Bank is willing to assume in fulfilling its obligations and strategic objectives. Acknowledging that risk is inherent to banking operations, the Bank accepts that exposures within the approved risk appetite may lead to anticipated losses. Such losses, however, are expected to be adequately compensated by projected earnings, provided they are appropriately evaluated and acknowledged.

The Bank is committed to institutionalising Integrated Risk Management as a core organisational capability. This commitment is reinforced through a comprehensive policy framework designed to uphold rigorous operational standards and enable informed decision-making. By promoting an understanding of the interdependence between risk and return, the Bank ensures prudent and strategic risk management practices.

Strengthening Risk Management in 2025

The banking sector faced numerous challenges during 2025, and UBC proactively adapted to the evolving risk landscape by consistently strengthening its risk management strategies.

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Information and Cyber Risk	Group Risk
The Bank undertook a comprehensive review of its credit and collateral frameworks to ensure continued alignment with prevailing market trends, regulatory expectations and the macro environment developments	The Bank's Internal Capital Adequacy Assessment Process (ICAAP) was reviewed to ensure capital buffers remained well above regulatory minimum, supported by rigorous stress testing across variables such as asset quality, market volatility, concentration risk and macroeconomic shifts.	Findings on policy deviations and procedural exceptions were systematically discussed with business units to clarify policy intent and institute remedial measures.	The Bank's Treasury limits were comprehensively reviewed and revised, introducing enhanced thresholds aligned with market best practices and regulatory guidance.	The Bank conducted its annual RCSA across all business lines and regional operations to evaluate risk profiles, identify control weaknesses and implement targeted mitigation strategies.	The Unit's primary objective is to ensure full compliance with Central Bank of Sri Lanka (CBSL) Directions No. 16 and 05, while safeguarding the Bank's information assets from technology-driven threats.	Regular Senior Executive level meetings were held to evaluate the compliance and risk positions of Group entities, identify potential challenges and to determine appropriate corrective actions.
The Credit Risk Management Framework, encapsulating the Bank's policies, procedures and governance protocols was refined and updated to reflect the evolving risk environment.	Multiple industry-wide risk assessments were conducted to evaluate sectoral exposures and implement corrective strategies to optimise portfolio resilience.	Loan Review Mechanism(LRM) observations and lessons learned from Stage 3 exposures were disseminated among Business and Credit Teams to elevate underwriting quality and strengthen credit administration standards.	Investment caps and exposure limits were re-evaluated and complemented by strengthened monitoring mechanisms to manage volatility across foreign exchange and securities markets.	The Operational Risk Management Framework(ORMF) was reviewed and refined to incorporate contemporary industry developments and global standards.	The Information and Cyber Risk Team commenced comprehensive branch-level assessments to evaluate system resilience, access control effectiveness and cybersecurity hygiene.	Quarterly performance and risk reports were tabled and discussed at BIRMC meetings, enabling a consolidated view of Group-level exposures.

Risk Review

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Information and Cyber Risk	Group Risk
Delegated Lending Authorities (DLAs) and credit approval hierarchies were periodically reviewed to empower regional/ branch wise decision-making, thereby enhancing operational agility and improving credit turnaround times.	The Risk Dashboard was substantially enhanced to provide greater analytical depth and real-time oversight of enterprise-wide exposures.	A structured knowledge dissemination programme was launched, whereby critical LRM insights were periodically shared with Business Units, Legal, Corporate Management Team(CMT) and other relevant stakeholders, reinforcing a culture of prudent credit governance and post-disbursement vigilance.	Daily MIS reporting was enriched with expanded data sets to facilitate more informed and timely decision-making.	On-site operational control reviews were performed to detect and rectify control deficiencies while strengthening the internal control environment.	As part of its initial operational roadmap, the following Level 2 Reviews were implemented to strengthen the technology risk oversight framework: • User Access Management Review • Privileged Access Review • Firewall and Perimeter Security Review • Third-Party Vendor Risk Assessment • Risk Assessments for New or Modified Systems • Computer & user activity log review (Section 5.3 in TRMR Framework of CBSL) • Information and classification and labeling review (Section 5.4 in TRMR Framework of CBSL)	The Chief Risk Officer (CRO) of UBC continued to participate in the BIRMC meetings of both UB Finance (UBF) and NAMAL in the capacity of member/advisor, thereby ensuring alignment and consistency across the Group's risk governance practices.
Risk thresholds were recalibrated in line with to the Bank's risk appetite and global best practices, ensuring prudent risk-reward balance.	Retail lending Product Programme Guidelines (PPGs) were revised to address emerging credit trends, mitigate vulnerabilities and improve operational turnaround times.		A new rate tolerance monitoring framework was implemented, ensuring tighter control over pricing deviations and improved oversight of treasury operations.	The Bank's PPGs and internal policies were reviewed in line with new product developments and process changes to ensure proactive risk mitigation.	These initiatives collectively reinforced the Bank's Information Security and Cyber Resilience Framework, ensuring alignment with both regulatory directives and international cybersecurity standards.	

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Information and Cyber Risk	Group Risk
A series of capacity-building initiatives—including specialised training and knowledge-sharing forums—were conducted to deepen staff expertise in credit underwriting, portfolio management and restructuring practices.	The Bank conducted periodic portfolio diagnostics to evaluate credit quality, monitor early warning indicators and identify potential sectoral shifts.		Comprehensive stress testing continued to be applied across liquidity, foreign exchange and interest rate risks domains, with outcomes feeding directly into the Bank's strategic decision-making processes.	Continuous monitoring of KRIs and trend analysis of operational loss events were conducted to identify root causes and implement durable control enhancements.		
The Bank initiated a comprehensive review and independent validation of its internal risk rating model to enhance its predictive reliability and robustness.	Enhanced hindsight reviews were undertaken across Retail Loans, Credit Cards and Leasing products to ensure full compliance with internal credit policies and regulatory expectations.			A bank-wide Operational Risk Awareness Programme was successfully rolled out via the Learning Management System (LMS), reinforcing staff preparedness and risk awareness.		
	A detailed Watch List Guideline was introduced to facilitate early identification and management of emerging stress signals within the lending portfolio.			The Fraud Risk Management Framework was strengthened, with potential frauds and irregularities reviewed monthly at the FRMC, leading to the introduction of both preventive and detective control measures.		

Risk Review

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Information and Cyber Risk	Group Risk
	The Risk Appetite Statement was reassessed in line with strategic direction and the prevailing economic climate.			Comprehensive Business Continuity Planning (BCP) and Disaster Recovery (DR) drills were conducted for all critical functions, benchmarked against the ISO/IEC 22301 Business Continuity Management System (BCMS) standard.		
				Targeted training and simulation exercises were held for BCP coordinators and key BCMS team members to enhance organisational resilience and crisis response capability.		

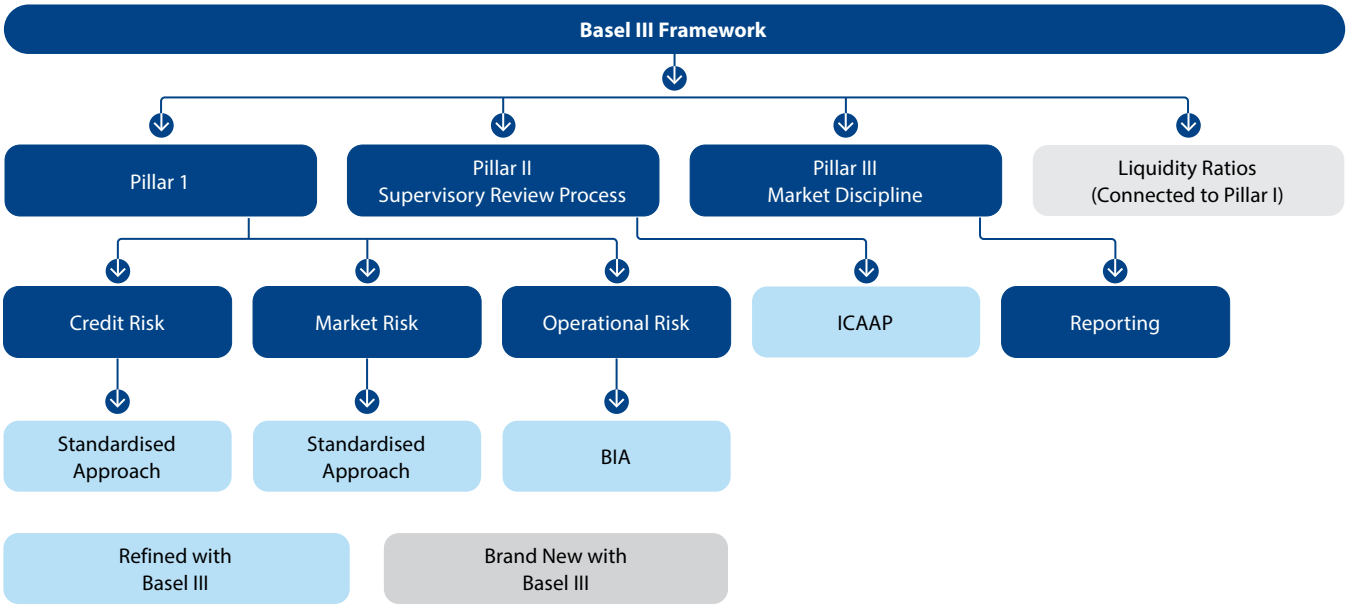
Planned Initiatives to Strengthen Risk Management in 2026

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
The Bank has embarked on the upgrade of its Loan Origination System (LOS) in collaboration with an external technology partner. The modernisation will streamline workflows, reduce manual interventions and significantly enhance turnaround times for credit proposals.	The Risk Appetite Statement will be further reviewed to ensure alignment with the Bank's long-term strategic plan and anticipated economic conditions.	The Credit Policy will be reviewed and updated based on insights from LRM findings, ensuring continuous improvement in underwriting standards and monitoring discipline.	A new Treasury System will be introduced to strengthen monitoring mechanisms, automate reporting and enhance overall treasury risk governance.	The Bank will further strengthen and refine its KRIs to reflect its evolving operational risk profile.	The Bank will further reinforce Group risk monitoring mechanisms through the introduction of new analytical tools, enhancing transparency and comparability of risk exposures across subsidiaries.

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
Active exploration is underway to integrate Artificial Intelligence (AI) into the credit evaluation and data validation processes. This initiative aims to enhance the precision of credit assessments, automate routine validations and further improve the overall effectiveness of credit risk management.	Increased emphasis will be placed on industry-level risk reviews to identify emerging opportunities and heightened risk areas, enabling proactive portfolio adjustments.	The post-disbursement review function will be extended to the recently introduced leasing product line, with corresponding enhancements incorporated into the Credit Policy.	The Bank's MIS will be upgraded to offer real-time dashboards with drill-down functionality for foreign exchange, interest rate and liquidity risk metrics, providing management with timely and actionable insights.	Implementation of a comprehensive Operational Risk Dashboard is planned, integrating key operational risk components to provide management with a consolidated view of emerging trends and risk concentrations.	
An independent validation of the internal rating model by an external expert is in progress, ensuring enhanced accuracy and credibility in credit risk assessment.				The root cause analysis process will be enhanced to ensure that operational incidents translate into structural control improvements across the organisation	
The Bank plans to introduce new rating models for retail portfolios, complementing corporate and SME models.					
Continued focus will be placed on staff upskilling through frequent credit familiarisation programmes designed to cultivate a prudent and risk-conscious credit culture.					

Risk Review

Basel Framework & Implementation



Under the new consultative paper issued by CBSL for implementation of Basel III minimum capital requirements, the regulator has advised that, CAR shall be maintained as a percentage of Risk Weighted Assets (RWA) based on the following approaches.
i) The standardised approach for credit risk
ii) The standardised measurement method for market risk
iii) The basic indicator approach for operational risk.

Bank's Approach	Credit Risk	Market Risk	Operational Risk
Pillar I – The Minimum Capital Requirements	For regulatory capital computation purposes, the Bank/ Group use Standardised Approach under credit risk.	The Bank/ Group have adopted the Standardised Approach for calculation of the Market Risk capital charge	Capital Charge for Operational Risk is computed using the Basic Indicator Approach (BIA) for the Bank and Group.
Pillar II – The Supervisory Review	Banks must conduct a comprehensive assessment of its risks periodically and retain adequate capital funds to endure any unexpected losses which are not assessed under Pillar I. As per the Banking Act direction no. 1 of 2016, the Bank must assess additional capital requirements for the risks such as interest rate, liquidity risk, concentration risk, reputational risk etc. A comprehensive ICAAP for the assessment and documentation of additional capital requirements under Pillar II.		
Pillar III – Market Discipline	Pillar III prepares the Bank to promote the availability of material information and true and fair status of the Bank's affairs. The Bank's disclosures are mainly met through the annual reports and with periodic Financial Statements published.		

Basel III and Future

In compliance with regulatory directives, the Bank ensures submission of the Liquidity Coverage Ratio (LCR) to the Central Bank of Sri Lanka (CBSL). The Bank has consistently maintained compliance with prescribed thresholds and remains well-positioned to accommodate the progressive implementation of future Basel III requirements.

Under the new guidelines banks are to maintain the capital requirements on a staggered basis.

Regulatory Capital Requirement

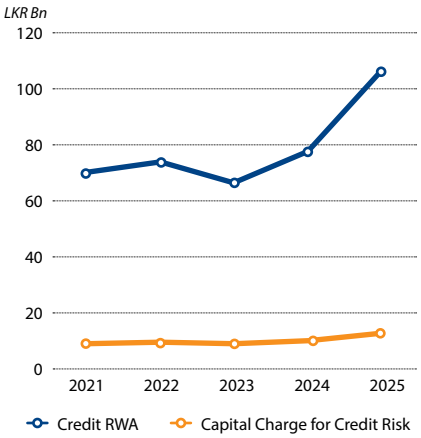
Components of Capital	Regulatory Requirement as at			Bank's Position as at		
	31.12.2025	31.12.2024	31.12.2023	31.12.2025	31.12.2024	31.12.2023
Common Equity Tier (CET) 1	7.00%	7.00%	7.00%	12.17%	15.61%	17.23%
Total Tier 1	8.50%	8.50%	8.50%	12.17%	15.61%	17.23%
Total Capital	12.50%	12.50%	12.50%	13.23%	16.63%	18.22%

Risk Weighted Assets & Capital Charge

Item (LKR'000)	Bank				Group			
	Risk Weighted Assets		Capital Required		Risk Weighted Assets		Capital Required	
	2025	2024	2025	2024	2025	2024	2025	2024
Credit Risk	106,387,931	77,369,125	13,298,491	9,671,141	114,259,473	82,545,643	14,282,434	10,318,205
Market Risk	8,656,169	7,939,872	1,082,021	992,484	8,891,263	8,160,527	1,111,408	1,020,066
Operational Risk	9,570,557	9,361,050	1,196,320	1,170,131	11,037,327	10,665,259	1,379,666	1,333,157
Total	**124,614,657**	**94,670,047**	**15,576,832**	**11,833,756**	**134,188,062**	**101,371,429**	**16,773,508**	**12,671,429**

Credit Risk Management

Risk Weighted Assets and Capital Charge for Credit Risk



	2025 Maximum Exposure LKR '000	2024 Maximum Exposure LKR '000	%
Maximum Credit Exposures	166,056,949	141,113,658	18%
Max Exposure to credit risk Gross Loans & Receivables to Customers	118,051,238	88,264,531	34%
Net exposure to credit risk of Loans & Receivables to Customers	19,993,888	30,850,473	-35%
Impaired Loans (Stage 3 Exposure)	16,239,744	17,759,192	-9%
Provisions for Impairment	7,264,855	7,061,677	3%
Stage 3 Ratio	8.1%	12.3%	-34%

In 2025, the Bank's maximum exposure to credit risk increased by 18%, while Impaired Loans as a percentage of Gross Loans and Receivables stood at 14%.

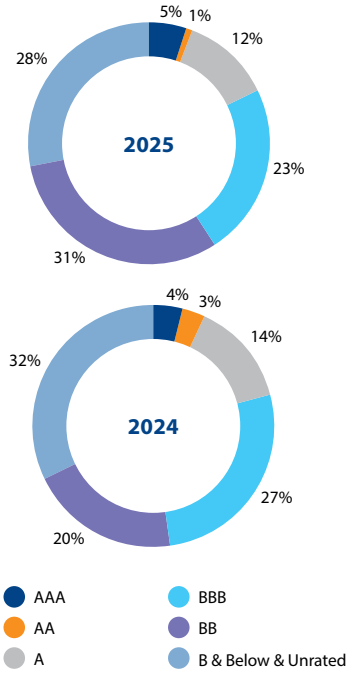
The Bank's Credit Policy, approved by the Board of Directors, provides the fundamental framework for lending activities. Complementing this, the Credit Manual and associated circular instructions detail the operational execution of responsibilities. Both documents are regularly reviewed to ensure alignment with the Bank's objectives and responsiveness to the evolving financial environment in the country.

Credit proposals are generated at the Regional Office, the Mid Market Enterprise (MME) Unit, the Retail Credit and the Corporate Banking Division. These proposals are created using the Bank's loan origination system, which evaluates borrowers against specific parameters and assigns a rating on a scale from AAA (lowest credit risk) to D (high default vulnerability). The proposals are then submitted for online approval.

Although the Sri Lankan economy demonstrates signs of recovery and improved macroeconomic stability relative to prior years, the banking sector continues to face persistent challenges in maintaining the quality of loan portfolios. Despite recent progress, the industry remains engaged in navigating these complexities.

Risk Review

Corporate and SME Rating



Loan Origination	Approval	Disbursement	Monitoring
Borrower rating derived from Internal Risk Rating system using quantitative and qualitative information. Facility rating is carried out using separate model and combination of borrower and facility rating derives an overall rating. Choose appropriate model (Corporate, SME W/Fin & Without Fin, NBFC etc.) and economic sector in accordance with the credit framework. Vertical and lateral submission of credit applications electronically.	DLAs are individual to each eligible staff member. Higher levels of authority at ECC and BCC.	Loan disbursement is independent from loan origination. Centralised Credit Administration Department responsible for loan sanctioning and housekeeping. Loan Review at Risk Mgt Dept. independently verifies the sanctions according to approval terms.	All loans are reviewed annually or earlier if warranted. Past dues are constantly monitored by the RMs, Branch Managers and the Recoveries dept. 60 to 90 days past dues are Watch-listed for close monitoring. Various portfolio level MIS are prepared by Risk Mgt Dept. for Management and Board information.

Managing Borrower risk

The Bank's Credit Policy and Credit Manual serve as the primary governance instruments for day-to-day credit operations. These documents outline standards for client selection, early warning reporting, concentration risk thresholds and portfolio monitoring practices. They further establish a structured credit approval framework incorporating delegated authority levels that are calibrated to the borrower's risk profile and aligned with the Bank's defined risk appetite.

Portfolio monitoring has been strengthened to encompass customers placed on watch lists, including those without current arrears but operating within stressed industry sectors. This measure ensures consistent oversight and proactive risk management in response to prevailing macroeconomic challenges.

Managing Concentration Risk

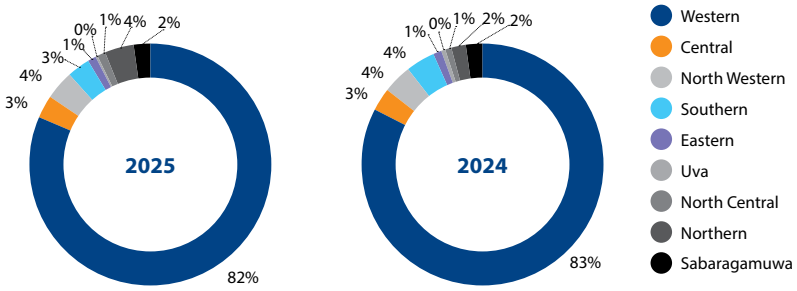
Excessive concentration in a single area or segment introduces significant risk, as borrowers within such groups typically exhibit correlated characteristics and vulnerabilities.

The Bank manages credit concentration risk primarily by monitoring economic sector groups and large borrower groups. Sector concentration risk is assessed against Board-approved limits and subjected to stress testing using the Herfindahl-Hirschman Index (HHI).

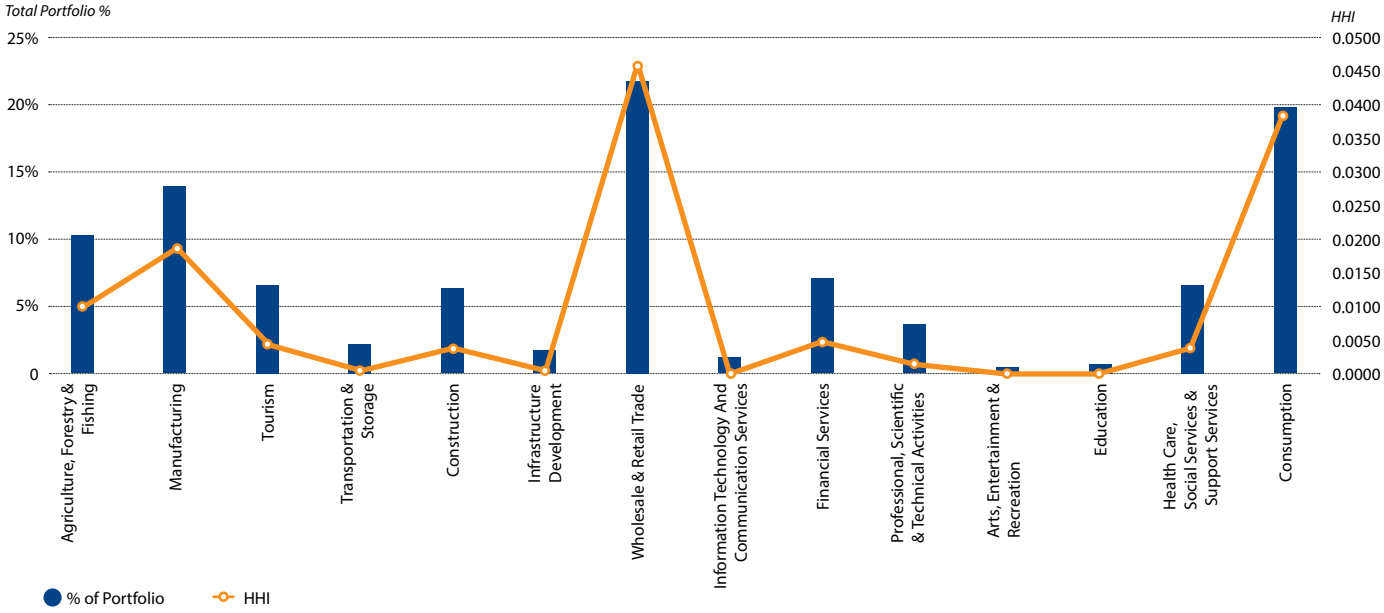
To mitigate concentration risk, the Bank employs a credit risk framework that establishes upper exposure limits across diverse industry sectors. In addition, temporary restrictions are imposed based on prevailing industry performance and relevant microeconomic indicators. The Bank also ensures strict adherence to regulatory requirements, including monitoring of top borrower exposures and compliance with single and related-party exposure thresholds.

The Bank conducts regular discussions across various forums to ensure effective management of portfolio risks. In addition to monitoring sectoral and name-specific concentration risks, it also reviews borrower rating distributions, age analysis, geographic and country exposures, and overall portfolio performance.

Geographical Distribution

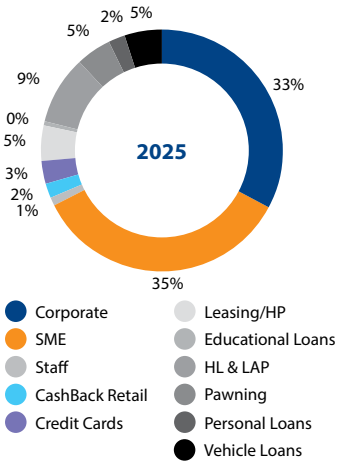


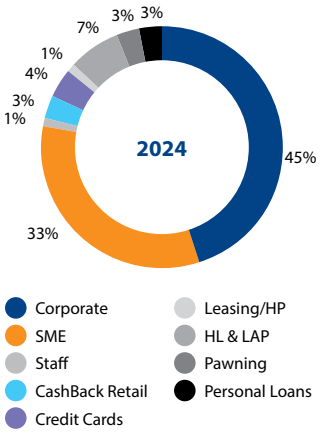
Economic Sector Concentration December 2025



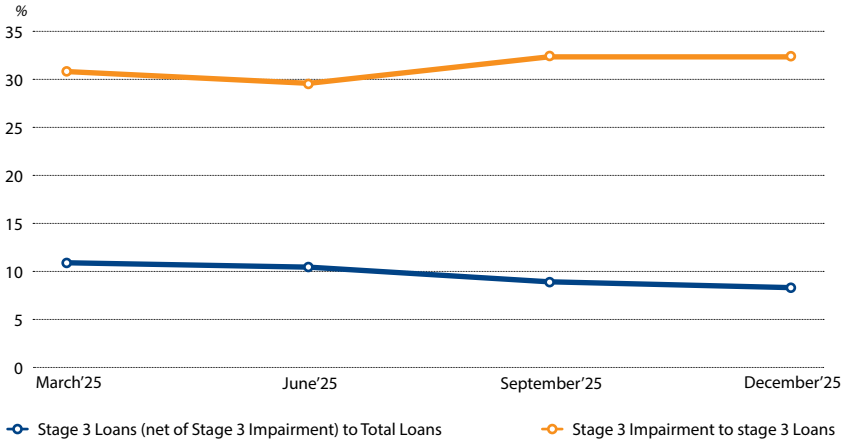
Managing Delinquent Loans

Exposure by Counterparty





NPCF Movement



The Bank maintains close oversight of its non-performing loan portfolio through consistent client engagement and facility restructuring initiatives. The Risk Management Department issues recommendations and monitors corrective actions to mitigate the emergence of new non-performing exposures while addressing existing ones. Furthermore, business units are advised to restrict new lending within high-risk sectors and to exercise heightened vigilance over current exposures.

In alignment with CBSL directives, the Bank has established a Loan Review Unit within the Risk Management Department to strengthen credit administration by focusing on major exposures across business groups. Additionally, the Business Revival Unit supports both performing and non-performing borrowers experiencing financial distress due to exceptional macroeconomic conditions.

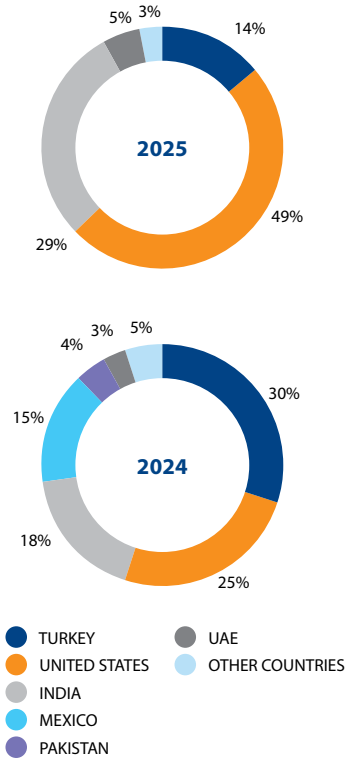
Risk Review

High-value loans undergo periodic reviews, with increased frequency when signs of credit quality deterioration emerge. Annually, 30%–40% of the loan portfolio is reviewed to ensure significant credit risks are monitored post-sanction. These evaluations encompass approval processes, accuracy of credit ratings, compliance with policies and regulations, adherence to loan covenants, post-sanction monitoring and adequacy of documentation.

Managing Cross-Border Exposures

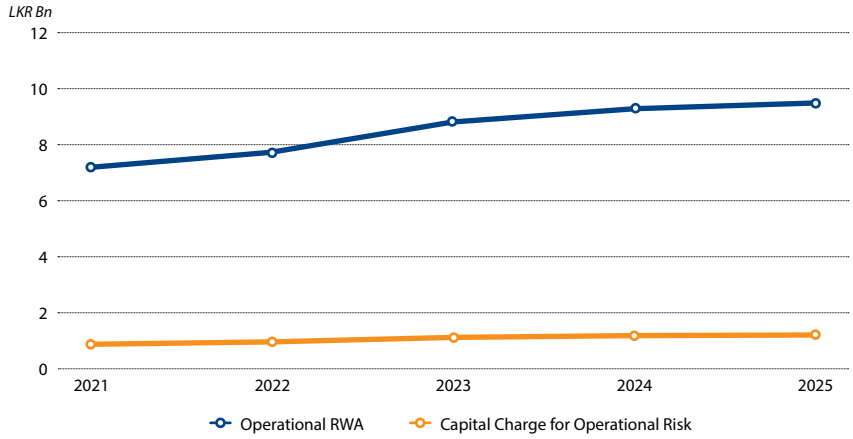
Cross-border exposures primarily stem from trade-related commitments with overseas counterparties. These exposures carry country-specific risks, including currency repatriation restrictions and political instability. The Bank actively monitors and manages these risks to protect the integrity of its portfolio.

Country-wise Exposure



Operational Risk

Risk Weighted Assets and Capital Charge for Operational Risk



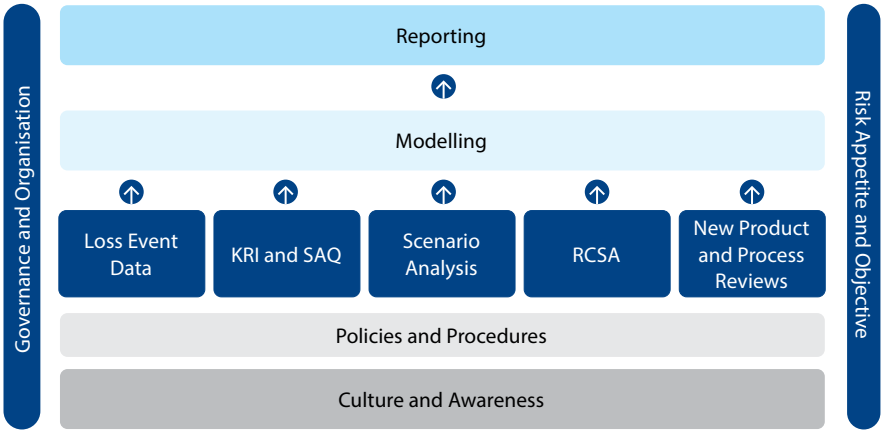
Operational Risk Management Framework

The Bank manages operational risks through a governance framework based on the three lines of defence model, designed to safeguard the Bank, its stakeholders including customers and shareholders against potential losses and reputational damage. This approach ensures transparency and accountability in risk management through a clear segregation of responsibilities.

The three lines of defence include:

1. First line of defence: Full accountability of business units to manage and report their own risks.
2. Second line of defence: An independent risk management function that oversees, challenges risk-taking and risk management activities and Compliance Function implementing policies and procedures as prescribed by regulator and industry best standards.
3. Third line of defence: Independent audit function that provides an assessment of the adequacy and effectiveness of the overall risk management framework.
   This model is applied at all organisational levels, ensuring robust risk management.

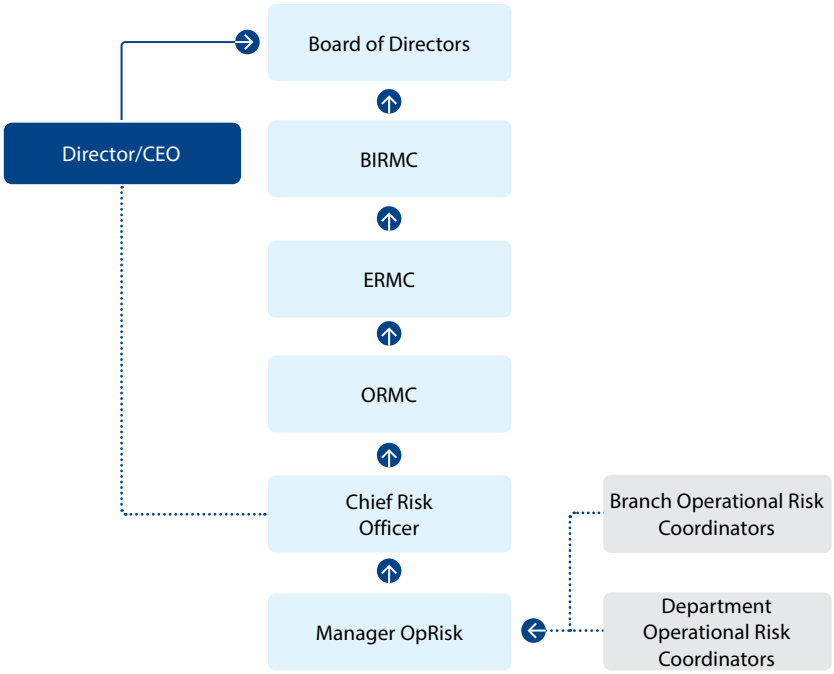
The Bank's risk appetite and tolerance are set by the Board and/or Executive Management, aligning with the Bank's strategy and growth objectives. Any breaches of risk tolerance limits are escalated to the BIRMC. If residual risks fall beyond the Bank's risk appetite, further mitigating actions, such as additional remediation, insurance, or discontinuing specific activities, must be undertaken.



Operational Risk Governance Structure

The primary responsibility for managing operational risk lies with the business and support functions, which act as risk owners. They identify and report risks in a timely manner while RMD oversees the Bank-wide management of operational risks, reports risk concentrations and promotes a consistent application of the ORMF across the Bank. RMD is headed by the Chief Risk Officer and operates under the supervision of the BIRMC.

The Operational Risk Management Committee (ORMC) is the focal point between all operational functions of the Bank, which is chaired by the CRO and responsible for the oversight, governance coordination and strengthening of the management of Operational Risk at functional level. The (ERMC) chaired by the Director/Chief Executive Officer (D/CEO), is a senior management-level committee tasked with managing risks, including operational risks, on behalf of the BIRMC. The CRO is a permanent member and convener of ERMC meetings. The ERMC adopts a cross-risk, holistic perspective to address key operational risks across the Bank. It holds decision-making and policy-related authority, including the review, management, and mitigation of operational risk issues that may affect the risk profile of the Bank's business units and support functions.



Managing Operational Risk

The Bank manages operational risks by utilising the tools and processes outlined in the ORMF, ensuring that the Bank's risk parameters remain within the approved risk appetite. This approach enables the systematic identification of operational risks and their concentrations, allowing the Bank to define risk mitigation measures and set priorities effectively.

In order to cover the diverse range of risk types of Operational Risk, the Bank's ORMF contains various management techniques that are applicable across Operational Risk types.

Furthermore, the Bank, as a risk transfer strategy; has signed up for insurance to cover fire, natural disaster, theft/ robbery, fraud. Additionally, the Bank has and outsourced certain back office functions/ processes in compliance with the outsourcing guidelines issued by the regulator. RMD also reviews and ensures the adequacy of the Bank's Insurance Policies and that the acceptable level of controls are in place with the outsourced activities of the Bank prior to signing up. The sound Operational Risk Management could be evident via the methods given below.

Methods of Operational Risk Management

a. Loss Event Data

Loss event data are historic and retrospective which provides valuable insights into current operational risk exposures. Data gathered in accordance with Basel guidelines and are categorised as an actual loss, a gain, a potential loss or a near miss using one of the industry's best web-based solution for Operational Risk Management (ORM). Once an event is entered, it is reviewed independently, and submitted to the Operational Risk Management department for causal and impact analysis, and subsequently recording cause, effect, recovery and provisioning before closure, if applicable.

b. Key Risk Indicators and Self-Assessment Questions

KRI and SAQ programmes are conducted on a monthly, quarterly, and semi-annual basis to assess the evolving risk environment. KRIs are quantitative, while SAQs use pre-defined answer options. The collected data is analysed to identify trends that may pose operational risks or potential losses, enabling timely mitigation actions.

c. Scenario Analysis

A scenario analysis has to be completed on a monthly basis. In this, assignees are free to report any current & potential risks that they envisage within their area of work, whether internal or external. In addition, scenarios of potential events, which are infrequent, but

Risk Review

have severe impact to the Bank when they happen would be identified and analysed by the Operational Risk Management Department (ORMD).

d. Risk & Control Self-Assessment (RCSA)

RCSA programmes require branches and departments to identify and assess risks in their respective areas. These assessments are conducted annually to ensure appropriate controls are in place. Results are independently validated by the Internal Audit Department to minimize subjectivity and are subsequently approved by relevant Risk Management Committees, as outlined in the Risk Sanctioning Policy. The data is also used for future capital computation purposes.

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e. Ad-Hoc Incident Reporting

Employees are encouraged to report operational lapses, potential risks, or actual fraud incidents directly to designated senior management, as per the Bank's Whistleblower Policy, or through appropriate line management channels.

f. New Product, Service or Process Launch

Prior to launching new products, services or processes, the owners of same must identify and evaluate the risks inherent that have a material impact on Bank's operational processes using the new product policy. Subsequently, the detailed Product Programme Guide with a Risk Matrix, listing such risk identified and mitigants shall be signed off by all key stakeholders.

g. Customer Complaints

Bank monitors complaints and their root causes and provides relevant information to ORMD for identifying and measuring risk. ORMD further analyses and escalate to relevant risk management committee/s for further action.

h. Audit and Regulatory Recommendations

Recommendations from audits and regulators help identify inherent risks caused by internal and external factors, highlighting control weaknesses and enabling timely corrective measures.

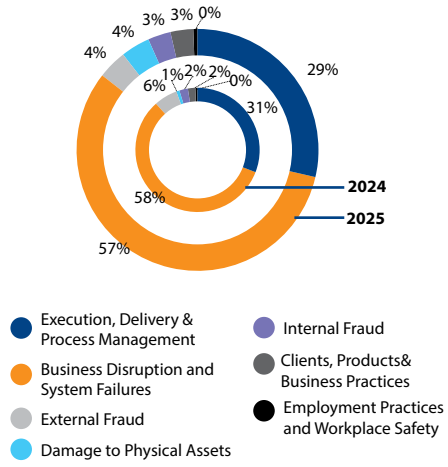
i. Training and Awareness Creation

Regular training sessions are conducted for new recruits and existing employees to emphasize the importance of risk reporting. Refresher programmes are organised to ensure continued awareness and adherence to risk management practices.

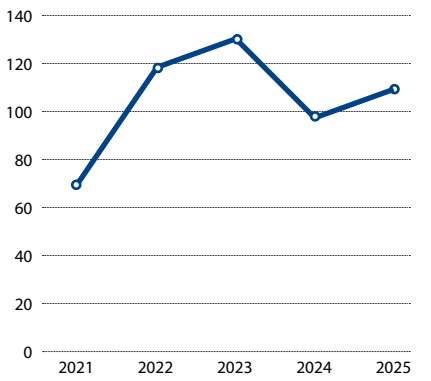
j. Appointment of Operational Risk Coordinators Within the First Line of Defense

Operational Risk Coordinators (ORCs) are appointed across all branches and departments to act as primary liaisons between their respective units and ORMD.

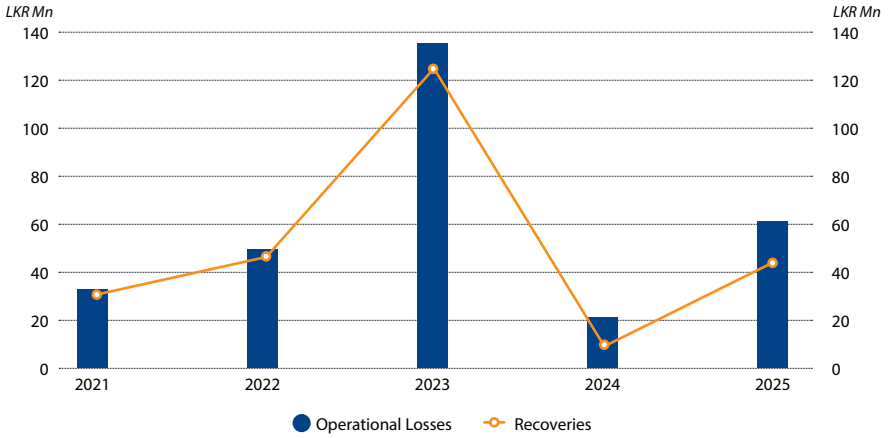
Operational Loss by Event Type



No.of Incidents



Operational Losses & Recoveries



Operational Risk (OR) Information System

The Bank's operational risk information system, called Care Kalypto, supports operational risk management tools, providing information for reporting functions. The objective of Care Kalypto is to improve decision making for OR management throughout the Bank.

Measuring Operational Risks

The Bank calculates and measures the capital charge requirements for Operational Risk using the Basic Indicator Approach methodology where the average of the last three years annual gross income x 15% is considered as the capital charge.

Business Continuity Management

BCM function, which is under the purview of Operational Risk Management Department, ensures that a sound BCP is in place for the Bank covering the branch network and departments. The Bank-wide BCP is well structured and reviewed periodically, in assuring the immediate continuity of essential business operations. Department & branch level BCP Coordinators act as the focal point in reviewing and ensuring the current status of their respective entity's BCP, while periodically being trained on BCM aspects towards augmenting awareness. While being fully equipped with a Disaster Recovery Site along with an integrated IT recovery strategy, the Bank conducts drills to test the effectiveness of the BCP at least annually in order to ensure readiness. The Bank has an enhanced, fully functional Business Recovery facility accommodating infrastructure requirements in keeping with the Bank's growing business needs and assuring preparedness towards unprecedented contingency events. Moreover, in adherence to CBSL guidelines on BCP and with the introduction of the Direction on Technology Risk Management & Resilience, the Bank successfully conducted a BCP drill from DR servers for 7 consecutive days, under a fully revamped primary & DR data center towards keeping with rapidly evolving technological changes.

Fraud Risk

The Bank maintains a zero tolerance policy towards bribery, corruption and fraud. All employees, across both business and support/service functions, are committed to acting ethically, professionally, and with integrity in all core business activities and stakeholder relationships. On-site and off-site monitoring is performed by the Operational Risk and Internal Audit departments.

The Bank has a robust Fraud Risk Policy which is governed by the senior management level, FRMC. The FRMC convenes monthly to assess and manage the Bank's internal and external fraud landscape. This policy outlines current processes for addressing fraud risks and aims to foster a corporate culture that discourages fraudulent activities while raising awareness of associated risks and consequences.

Additionally, the current 'Whistle-Blowing Policy' also acts as an effective fraud detection mechanism.

Information and Cyber Risk Management

Union Bank continuously enhances its information security processes and Cyber defense systems to safeguard corporate data from emerging Cyber threats, aligning with international standards and best practices.

With the introduction of the CBSL's Technology Risk Management & Resilience directive, the Bank has streamlined its business and IT processes to comply with prescribed guidelines and timelines.

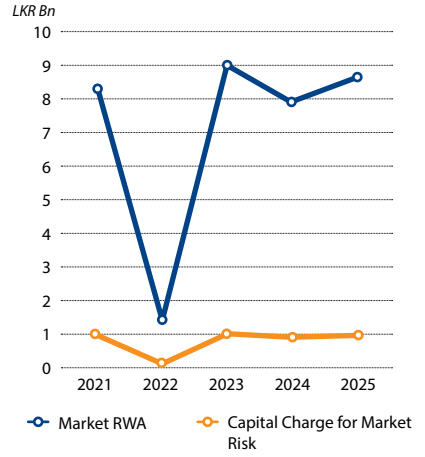
Key initiatives include:

- Privilege Access Reviews: Regular reviews of critical and non-critical information systems to monitor and validate privileged user activities across applications, databases, and operating systems. Real-time monitoring and investigation of user activities are performed based on criticality.
- Incident Management: The Bank has strengthened its detection and response processes to manage Cybersecurity incidents effectively.
- Vulnerability Assessment and Penetration Testing (VAPT): Third-party Cyber security providers conduct VAPT assessments to identify threat vectors and implement countermeasures to protect corporate systems.
- Information Security Awareness: Annual mandatory training and quizzes on information security are conducted via the LMS. New employees participate in induction training on security awareness during onboarding.
- Risk Assessments: Bank-wide risk assessments are conducted to identify risks and develop remediation plans to mitigate their impact.

IT Security responsibilities are handled by a dedicated IT Security team within the IT Department. Internal and external audits are regularly reviewed by the Leadership Team and the Board Audit and Risk Management Committees to ensure robust security governance.

Market Risk

Risk Weighted Assets and Capital Charge for Market Risk



Managing of Market Risk

The ALCO oversees the management of Interest Rate Risk, Exchange Rate Risk, Liquidity Risk, and Equity Price Risk. Within the overall Risk Management Framework, the Treasury Middle Office (TMO) independently monitors treasury front and back office

Risk Review

functions. Market risk management is guided by the Integrated Risk Management Policy, Market Risk Management Policy and Asset and Liability Risk Management Policy.

TMO is responsible for developing treasury operation policies, establishing and monitoring various operational limits and preparing independent Management Information System (MIS) and dashboard reports for senior management, ALCO, the BIRMC and the BoD. TMO employs tools such as Value at Risk (VaR), Duration, Modified Duration (MD), Mark-to-Market Valuations (MTM) and stress testing to measure and manage market risk exposures.



Managing Foreign Exchange Risk

The FX risk arises due to mismatches in assets and liabilities in different currencies. The cost of aggregate exposure will fluctuate with the changes in the exchange rates.

FX risk is managed through approved limits by the BoD and in line with the CBSL requirements.

FX risk arises from mismatches in assets and liabilities denominated in different currencies, with aggregate exposure fluctuating based on exchange rate movements. This risk is managed within board-approved limits and in compliance with CBSL requirements.

Foreign Exchange Rate Risk Parameters monitored by TMO on daily basis

- Open position limits on the aggregate of all currencies both Intraday and overnight
- Open position limits for individual currencies both intraday and overnight
- Counterparty limits, settlement limits
- Management action trigger limits
- Dealer related limits
- Forward foreign exchange mismatch limits
- Country limits
- Maturity mismatch limits
- Currency tolerance limits

The Bank has been prudent in managing the FX risk throughout. The Bank has been able to manage its open positions (NOP) within the limit allowed by CBSL and no major losses were incurred during the recent volatile exchange rate period.

Please refer notes to Financial Statements section for the update on foreign exchange position & impact on profit or loss due to exchange rate shocks.

Managing Liquidity Risk

Liquidity risk is managed using both stock and floor approaches under ALCO's supervision. The stock approach assesses liquidity through key ratios that reflect the Bank's balance sheet liquidity, while the floor approach analyses cash inflows and outflows based on their maturity.

TMO monitors liquidity using ratios such as the Advances to Deposit Ratio, LCR and the Maturity Profile of Assets and Liabilities. Deviations or exceptions from approved limits are reported to the BIRMC for review.

Liquidity Risk Parameters

- Maturity of Assets & Liabilities report (MAL)
- Net loans to total assets ratio
- Loans to customer deposits ratio
- Liquid assets to short term liabilities ratio
- Large Liabilities (minus) temporary investments to earning assets(minus) temporary investments ratio
- Purchased Funds to Total Assets ratio
- Commitments to Total Loans ratio
- Liquidity Coverage ratio
- Net Stable Funding ratio

Also, the Bank conducts regular stress tests & scenario analysis to measure impact on liquidity due to adverse movements in its cash flows.

Please refer notes to Financial Statements section for the update on Maturities of Assets & Liabilities.

Managing Interest Rate Risk (IRR)

Interest Rate Risk arises from mismatches in interest rate-related products and the Bank's re-pricing strategies, potentially affecting net interest income (NII) and the economic value of assets and liabilities. The Bank measures IRR from both an earnings perspective and an Economic Value of Equity perspective.

The trading portfolio, consisting mainly of Treasury Bills, Treasury Bonds and Unit Trusts, is monitored daily against limits for portfolio size, maturity buckets, categories, Mark-to-Market and VaR. TMO also tracks Duration and Price Value of One Basis Point (PVO1) for the fixed income portfolio daily.

Please refer notes to Financial Statements section for the update on Sensitivity Report on Interest Sensitive Assets & Liabilities

Legal Risk

As per the definition of Basel, legal risk is covered under operational risk management. Legal risk relates to the people, processes, systems and also the outside events affecting the normal course of business. Legal Risk can arise from the current and prospective risks to earnings, or capital due to violations of, or non-conformance with laws, rules, regulations, prescribed practices, or ethical standards issued by the regulator from time to time. As per ISO 31000, Legal Risk can be of the following types:

- Litigation Risk
- Contract Risk
- Regulatory Risk
- Structural Risk

In managing Bank's legal risk, factors such as regulatory guidelines which may lead to subsequent penalties and fines in non-compliance are taken in to consideration. Banking relationships maintained with other entities, individuals both domestic and foreign also give rise to legal risk. This is mainly due to the non-fulfillment of required precise contractual documentation and non-adherence to the same. Bank takes adequate measures, process enhancements to ensure the compliance of such legal requirement under its overall risk governance structure.

Strategic Risk

Strategic risk arises from decisions, plans, or objectives that may fail due to errors, delays, or inadequate information, adversely impacting shareholder value. This includes incorrect decisions, delayed remedial actions, or insufficient decision-making data.



Drivers of Strategic Risk

Compliance Risk

Compliance risk represents the potential impact on earnings or capital arising from non-adherence to laws, regulations, corporate governance standards, or ethical practices. It may also occur in situations where product or client-related rules are ambiguous. Such risk can result in fines, penalties, reputational damage and limited business opportunities. To mitigate this, the Bank has implemented comprehensive internal controls, policies, and procedures.

Reputation Risk

Reputation risk refers to the potential adverse impact on the Bank's reputation resulting from unethical practices, regulatory actions, customer dissatisfaction, negative publicity, or activities undertaken by subsidiaries or associates. The Bank remains committed to preserving and strengthening its reputation across all areas of operation.



Drivers of Reputation Risk

Risk Review

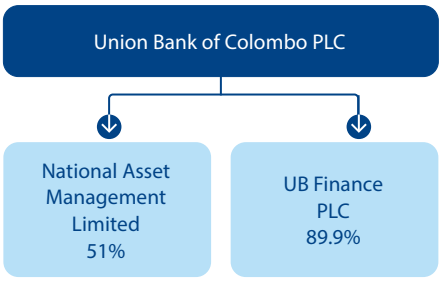
Stress Testing

Stress testing serves as an essential risk management mechanism that assesses the Bank's capacity to withstand extraordinary yet plausible scenarios or significant variations in financial indicators. It constitutes a fundamental component of the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar II.

The Bank's Stress Testing Policy defines the framework for identifying key risk drivers, determining assessment frequency, selecting methodologies, and establishing risk tolerance thresholds. Outcomes are reported to management to facilitate informed decision-making and capital planning. The Bank continually enhances its stress testing models to remain aligned with changing market dynamics.

Group Risk

Union Bank of Colombo exercises centralised oversight over the risk management frameworks of its subsidiaries, UB Finance and Namal Asset Management, to ensure group-wide risk alignment, regulatory compliance, and governance consistency.



The Bank's Risk Management function establishes the overarching Group Risk Governance Framework, including risk appetite statements, policies, limits, and reporting standards applicable to all entities within the Group. While each subsidiary maintains its own primary risk ownership and operational risk management structures, Union Bank provides independent second-line oversight through periodic risk reviews.

Credit, market, liquidity, operational, compliance, and reputational risks are monitored at both entity and consolidated levels to ensure that emerging risks within UB Finance and Namal Asset Management are identified, assessed, and escalated in a timely manner. The Bank also facilitates group-level risk committees and ensures alignment with regulatory expectations issued by the Central Bank of Sri Lanka. CRO of the Bank has presence in Integrated Risk Management Committees of both entities.

Through this structured oversight model, Union Bank ensures that subsidiary risk exposures remain within the approved Group Risk Appetite while preserving the operational autonomy required for each entity's business model.

Group Co.	Board Representation	Chairman	Board Risk Committee Representation
UB Finance	✓	✓	✓
NAMAL	✓	✓	✓

Statement of Directors' Responsibilities for Financial Statements

The responsibility of the Directors in relation to the Financial Statements of Union Bank of Colombo PLC (the Bank), is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, is detailed in the Report of the Auditors' on pages 217 to 220 of this Annual Report.

In accordance with the Companies Act No. 07 of 2007 as amended (the Act), the Directors are required to prepare Financial Statements for each financial year and present them at the Annual General Meeting. These Financial Statements comprise the Statement of Financial Position as at 31st December 2025, the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and the accompanying notes.

The Board of Directors confirms that the Financial Statements give a true and fair view of the state of affairs of the Bank and the Group as at 31st December 2025 and of the profit or loss of the Bank and the Group for the financial year ended.

The Financial Statements of the Bank have been certified by the Bank's Chief Financial Officer, as required by the Act and have been signed by the Chairman, the Director/Chief Executive Officer, the Chief Financial Officer and the Company Secretary on 27th February 2026.

The Directors are of the view that, in preparing these Financial Statements:

i. Appropriate accounting policies have been selected and applied consistently, with material departures, if any, disclosed and explained.
ii. All applicable Accounting Standards (SLFRS/LKAS) have been followed.
iii. Judgments and estimates made are reasonable and prudent.
iv. The Bank and its subsidiaries have adequate resources to continue as a going concern, and the going concern basis has been adopted in preparing these Financial Statements.
v. The Bank and the Group maintain sufficient accounting records to disclose the financial position of the Group with reasonable accuracy.

The Financial Statements for the year 2025, as presented in this Annual Report, have been prepared in compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007 (as amended), Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto and the Listing Rules of the Colombo Stock Exchange. The Board has obtained additional assurance regarding the reliability of the Financial Statements through the independent oversight and review of the Board Audit Committee, which has reviewed and recommended both the Interim and Annual Financial Statements for Board approval.

The Directors are responsible for taking reasonable steps to safeguard the assets of the Bank and its subsidiaries. In this regard, the Board has given due consideration to the establishment of appropriate internal control systems, with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they consider appropriate, to enable them to provide their audit report.

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

By Order of the Board



Laswie Tsung
Company Secretary

24 February 2026
Colombo

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Union Bank of Colombo PLC ("the Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries ("the Group") as at 31st December 2025 have been prepared in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007 and amendments thereto,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Banking Act No. 30 of 1988 and amendments thereto and Directions, Determinations, Orders and Guidelines issued by the Central Bank of Sri Lanka (CBSL),
- The Listing Rules of the Colombo Stock Exchange (CSE),
- The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by the CBSL.

The Group presents its financial results to its shareholders on a quarterly basis. The formats used in the preparation of the Financial Statements and disclosures made, comply with the formats prescribed by the Central Bank of Sri Lanka, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements). The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and External Auditor.

Comparative information has been restated wherever necessary to comply with the current presentation. The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. We confirm that to the best of our knowledge, the Financial Statements give a true and fair view of the financial position, results of the operations and the cash flows of the Group. We have reasonable grounds to believe that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the Going Concern basis in preparing the Financial Statements.

The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs are reasonably presented. To ensure this, the Bank and all of its Subsidiaries have taken proper and sufficient care in installing a system of internal controls and procedures for safeguarding assets, preventing and detecting frauds and/or errors as well as other irregularities which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm that, as of 31st December 2025 the Bank's Internal Controls Over Financial Reporting are adequate and effective and complies with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (Internal Control Over Financial Reporting - ICOFR) issued by the Central Bank of Sri Lanka. The Annual Report of the Directors on pages 178 to 186 briefly covers the Group's Internal Control Over Financial Reporting. In addition, the Directors' Statement on Internal Control Over Financial Reporting is also provided on pages 187 and 188 The Bank's External Auditor, Messrs Ernst & Young, have audited the effectiveness of the Bank's Internal Controls Over Financial Reporting and have given an opinion as given on pages 189 to 190 of this Annual Report.

The Financial Statements of the Group were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditor. Their report is given on pages 217 to 220 of this Annual Report. The Board Audit Committee of the Bank meets periodically with the Internal Auditors and the independent External Auditor to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal controls and financial reporting. To ensure complete independence, the External Auditor and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on pages 162 to 164.

The Board Audit Committee approves the audit and non-audit services provided by Messrs Ernst & Young, in order to ensure that the provision of such services does not impair Messrs Ernst & Young's independence.

We confirm that to the best of our knowledge:

- The Group has complied with all applicable laws, regulations and prudential requirements
- There are no material non-compliances and
- There is no material litigation that is pending against the Group other than those disclosed in Note 46.3 to the Financial Statements in the Annual Report.



Shanka Abeywardene
Senior Vice President - Chief Financial Officer



Dilshan Rodrigo
Chief Executive Officer

27 February 2026
Colombo, Sri Lanka

The energy behind our evolution.

A dynamic, youthful team stands at the heart of our transformation—driving fresh ideas, inspiring innovation, and shaping the bank of tomorrow.

Financial Calendar

2024 Annual Report and Audited Financial Statements signed on	28-Feb-25
30th Annual General Meeting was held on	27-Mar-25

	2025			
	Colombo Stock Exchange	Newspapers (as required by CBSL)		
		English	Sinhala	Tamil
Q1 ended 31 March*	30-Apr-25	28-May-25	28-May-25	28-May-25
Q2 ended 30 June*	30-Jul-25	26-Aug-25	26-Aug-25	26-Aug-25
Q3 ended 30 September*	29-Oct-25	26-Nov-25	26-Nov-25	26-Nov-25
Q4 ended 31 December	27-Feb-26	31-Mar-25	31-Mar-25	31-Mar-25

2025 Annual Report and Audited Financial Statements signed on	27-Feb-26
31st Annual General Meeting was held on	31-Mar-26

	2026 to be submitted on or before			
	Colombo Stock Exchange	Newspapers (as required by CBSL)		
		English	Sinhala	Tamil
Q1 ended 31 March*	15-May-26	31-May-26	31-May-26	31-May-26
Q2 ended 30 June*	15-Aug-26	31-Aug-26	31-Aug-26	31-Aug-26
Q3 ended 30 September*	15-Nov-26	30-Nov-26	30-Nov-26	30-Nov-26
Q4 ended 31 December	28-Feb-27	31-Mar-27	31-Mar-27	31-Mar-27

* Based on unaudited information

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Independent Auditor's Report on Financial Statements

Shape the future with confidence

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HLF/DUM

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION BANK OF COLOMBO PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the financial statements of Union Bank of Colombo PLC (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2025, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Independent Auditor's Report on Financial Statements

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Key audit matter	How our audit addressed the key audit matter
Allowances for expected credit losses of Loans and Advances measured at amortised cost Allowances for expected credit losses of Loans and Advances measured at amortised cost as stated in Note 27.5.1 and 27.5.2 is determined by management based on the accounting policies described in Note 3.4, 4.8 and 27.5 to the financial statements. This was a key audit matter due to • the significant management judgements, assumptions and the high level of estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, forward-looking macroeconomic scenarios and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements is disclosed in Notes 53.2.1.3 and 53.2.1.4.	In addressing the adequacy of the allowances for expected credit losses of loan and advances measured at amortised cost, our audit procedures included the following key procedures: • Assessed the alignment of the Bank's allowances for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management. • Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. • Evaluated the reasonableness of credit quality assessments and related stage classifications • In addition to the above, the following procedures were performed: ▪ For loans and advances assessed on an individual basis for impairment: ▪ Checked the arithmetical accuracy of the underlying individual impairment calculations. ▪ Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with current economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. ▪ For loans and advances assessed on a collective basis for impairment: ▪ Tested the key inputs and the calculations used in the allowances for expected credit losses. ▪ Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays in consideration of impact arising from the 'Ditwah' cyclone. ▪ Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. • Assessed the adequacy of the related financial statement disclosures set out in notes 27, 27.5.1, 27.5.2, and 53.2.1.

Shape the future with confidence

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems related internal controls over financial reporting Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, the design, implementation and operating effectiveness of IT systems and related internal controls over financial reporting were identified as a key audit matter.	Our audit procedures included the following key procedures: • Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved our internal specialised resources and; ▪ Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and ▪ Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. • Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the Group's 2025 Annual Report
Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report on Financial Statements

Shape the future with confidence

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Bank and the Group
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

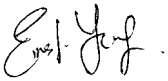
Report on Other Legal and Regulatory Requirements

Requirements of section 163(2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No.24 of 2024)

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Bank.

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.



27 February 2026
Colombo



Financial Statements

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Statement of Profit or Loss

For the year ended 31 December	Note	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Gross income	6	**18,235,567**	16,450,684	**20,914,792**	18,677,455
Interest income	7.1	**15,130,283**	14,008,163	**17,386,361**	15,974,939
Less: Interest expenses	7.2	**9,492,299**	9,181,644	**10,644,848**	10,358,394
Net interest income		**5,637,984**	4,826,519	**6,741,513**	5,616,545
Fee and commission income	8.1	**2,010,347**	1,543,796	**2,213,064**	1,678,780
Less: Fee and commission expenses	8.2	**465,132**	391,417	**495,234**	417,988
Net fee and commission income		**1,545,215**	1,152,379	**1,717,830**	1,260,792
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	9	**1,350**	133,668	**10,969**	129,448
Net gains/(losses) from derecognition of financial investments	10	**596,707**	737,131	**597,441**	754,902
Net other operating income	11	**496,880**	27,926	**706,957**	139,386
Total operating income		**8,278,136**	6,877,623	**9,774,710**	7,901,073
Less: Impairment for loans and other losses	12	**358,647**	141,901	**474,642**	182,064
Net operating income		**7,919,489**	6,735,722	**9,300,068**	7,719,009
Less: Operating expenses					
Personnel expenses	13	**2,649,983**	2,425,758	**3,153,502**	2,775,329
Depreciation and amortisation	14	**955,844**	814,325	**1,051,609**	895,383
Other expenses	15	**2,473,239**	2,287,444	**2,902,470**	2,678,192
Total operating expenses		**6,079,066**	5,527,527	**7,107,581**	6,348,904
Results from operating activities		**1,840,423**	1,208,195	**2,192,487**	1,370,105
Share of profit/(losses) of equity accounted investees, net of tax	32.1	**86,652**	(1,471)	**-**	-
Profit before value added tax (VAT) on financial services & social security contribution Levy (SSCL) on financial services		**1,927,075**	1,206,724	**2,192,487**	1,370,105
Less: VAT on financial services & SSCL on financial services	16	**713,893**	549,446	**858,187**	636,692
Profit before income tax		**1,213,182**	657,278	**1,334,300**	733,413
Less: Income tax expense	17	**558,488**	357,076	**675,330**	433,687
Profit for the year		**654,694**	300,202	**658,970**	299,726
Attributable to:					
Equity holders of the parent		**654,694**	300,202	**644,725**	297,673
Non-controlling interest	45	**-**	-	**14,245**	2,053
Profit for the year		**654,694**	300,202	**658,970**	299,726
Earnings per share					
Earnings per share - Basic (LKR)	18.1	**0.6**	0.3	**0.6**	0.3
Earnings per share - Diluted (LKR)	18.2	**0.6**	0.3	**0.6**	0.3

The notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December	Note	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Profit for the year		**654,694**	300,202	**658,970**	299,726
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Debt instruments at fair value through other comprehensive income					
Net change in fair value during the year		**15,604**	453,617	**20,391**	453,617
Reclassification to the income statement		**(247,510)**	(96,509)	**(247,510)**	(96,509)
Less: Income tax effect on above		**69,572**	(107,132)	**68,136**	(107,132)
Share of other comprehensive income of equity accounted investees, net of tax	32.1	**3,011**	-	**-**	-
Total items that will be reclassified to the statement of profit or loss		**(159,323)**	249,976	**(158,983)**	249,976
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains/ (losses) on defined benefit plans	41.2.2	**(16,628)**	26,665	**(20,810)**	26,539
Revaluation gains/ (losses) on equity instruments at fair value through other comprehensive income		**-**	-	**-**	9,654
Less: Income tax effect on above		**4,988**	(8,000)	**6,243**	(10,858)
Share of other comprehensive income of equity accounted investees, net of tax	32.1	**(2,863)**	5,717	**-**	-
Total items that will not be reclassified to the statement of profit or loss		**(14,503)**	24,382	**(14,567)**	25,335
Other comprehensive income/(loss) for the year, net of taxes		**(173,826)**	274,358	**(173,550)**	275,311
Total comprehensive income for the year, net of tax		**480,868**	574,560	**485,420**	575,037
Attributable to:					
Equity holders of the parent		**480,868**	574,560	**470,901**	572,031
Non-controlling interest		**-**	-	**14,519**	3,006
Total comprehensive income for the year, net of tax		**480,868**	574,560	**485,420**	575,037

The notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Assets					
Cash and cash equivalents	21	**3,611,952**	3,736,158	**3,911,709**	4,333,380
Balances with Central Bank of Sri Lanka	22	**807,025**	375,596	**807,025**	375,596
Placements with banks	23	**1,865,906**	1,135,072	**1,865,906**	1,135,072
Reverse repurchase agreements	24	**370,074**	562,470	**370,074**	562,470
Derivative financial instruments	25	**101,354**	44,429	**101,354**	44,429
Financial assets at fair value through profit or loss	26	**6,127,879**	4,884,509	**6,245,426**	4,994,837
Financial assets at amortised cost - loans and advances to customers	27	**110,786,384**	81,202,856	**123,661,943**	89,885,133
Financial assets at amortised cost - debt and other instruments	28	**16,093,548**	22,863,756	**16,771,211**	23,874,378
Financial assets at fair value through other comprehensive income	29	**23,385,583**	23,322,397	**23,420,591**	23,353,910
Investments in real estate	31	**-**	-	**24,958**	46,225
Investments in subsidiaries	32	**3,124,444**	3,043,405	**-**	-
Goodwill and intangible assets	33	**1,403,631**	1,615,188	**1,740,537**	1,941,454
Property, plant and equipment and Right of use assets	34	**2,342,482**	2,109,613	**2,905,952**	2,530,960
Deferred tax assets	35	**814,344**	582,376	**863,205**	654,579
Other assets	36	**1,798,697**	1,713,847	**2,124,674**	1,861,798
Total assets		**172,633,303**	147,191,673	**184,814,565**	155,594,221
Liabilities					
Due to banks	37	**16,049,233**	7,996,693	**18,391,473**	8,215,859
Derivative financial instruments	25	**5,720**	22,162	**5,720**	22,162
Repurchase agreements	38	**14,409,249**	13,197,001	**14,409,249**	13,197,001
Financial liabilities at amortised cost - Due to customers	39	**118,801,447**	103,740,584	**124,821,582**	110,629,257
Financial liabilities at amortised cost - Other borrowed funds	40	**-**	-	**2,711,522**	407,128
Current tax liability	30	**520,470**	34,978	**601,352**	36,285
Other liabilities	41	**2,525,614**	2,359,897	**3,179,075**	2,877,701
Total liabilities		**152,311,733**	127,351,315	**164,119,973**	135,385,393
Equity					
Stated capital	42	**16,334,782**	16,334,782	**16,334,782**	16,334,782
Share warrants	42.1	**65,484**	65,484	**65,484**	65,484
Statutory reserve fund	43.1	**324,887**	292,152	**354,492**	319,758
Fair value through OCI reserve	43.2	**174,552**	333,875	**186,787**	346,111
Retained earnings	43.3	**3,421,865**	2,771,202	**3,339,149**	2,537,465
ESOP reserve	44	**-**	42,863	**-**	42,863
Regulatory loss allowance reserve	43.4	**-**	-	**38,702**	201,688
Total equity attributable to equity holders of the Bank		**20,321,570**	19,840,358	**20,319,396**	19,848,151
Non-controlling interest	45	**-**	-	**375,196**	360,677
Total equity		**20,321,570**	19,840,358	**20,694,592**	20,208,828
Total equity and liabilities		**172,633,303**	147,191,673	**184,814,565**	155,594,221
Contingent liabilities and Commitments	46	**47,868,881**	37,395,156	**47,868,881**	37,270,156
Net asset value per share (LKR)		**18.8**	18.3	**18.8**	18.3

The notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Shanka Abeywardene
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board;

Dr. Dharmasri Kumaratunge
Director

Dilshan Rodrigo
Director/Chief Executive Officer

Laswie Tsung
Company Secretary

Colombo
27 February 2026

Statement of Changes in Equity

BANK

	Note	Stated Capital LKR '000	Share Warrants LKR '000	Statutory Reserve Fund LKR '000	Fair value through OCI Reserve LKR '000	Retained Earnings LKR '000	ESOP Reserve LKR '000	Total Equity LKR '000
Balance as at 1 January 2024		16,334,782	65,484	277,142	83,899	2,461,628	41,091	19,264,026
Total comprehensive income for the year								
Net profit for the year		-	-	-	-	300,202	-	300,202
Other comprehensive income		-	-	-	249,976	24,382	-	274,358
Total comprehensive income		-	-	-	249,976	324,584	-	574,560
Transactions with equity holders, recognised directly in equity								
Share based payment expense	44.3	-	-	-	-	-	1,772	1,772
Transfers during the year	43.1	-	-	15,010	-	(15,010)	-	-
Balance as at 31 December 2024		16,334,782	65,484	292,152	333,875	2,771,202	42,863	19,840,358
Total comprehensive income for the year								
Net profit for the year		**-**	**-**	**-**	**-**	**654,694**	**-**	**654,694**
Other comprehensive income		**-**	**-**	**-**	**(159,323)**	**(14,503)**	**-**	**(173,826)**
Total comprehensive income		**-**	**-**	**-**	**(159,323)**	**640,191**	**-**	**480,868**
Transactions with equity holders, recognised directly in equity								
Share based payment expense	44.3.1	**-**	**-**	**-**	**-**	**-**	**344**	**344**
Transfers during the year	43.1	**-**	**-**	**32,735**	**-**	**10,472**	**(43,207)**	**-**
Balance as at 31 December 2025		**16,334,782**	**65,484**	**324,887**	**174,552**	**3,421,865**	**-**	**20,321,570**

The notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.

Statement of Changes in Equity

GROUP

	Note	Stated Capital LKR '000	Share Warrants LKR '000	Statutory Reserve Fund LKR '000	Fair value through OCI Reserve LKR '000	Retained Earnings LKR '000	ESOP Reserve LKR '000	Regulatory Loss Allowance Reserve LKR '000	Total Equity LKR '000	Non Controlling Interest LKR '000	Total LKR '000
Balance as at 1 January 2024		16,334,782	65,484	304,748	96,135	2,203,461	41,091	228,647	19,274,348	332,095	19,606,443
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	297,673	-	-	297,673	2,053	299,726
Other comprehensive income		-	-	-	249,976	24,382	-	-	274,358	953	275,311
Total comprehensive income		-	-	-	249,976	322,055	-	-	572,031	3,006	575,037
Transactions with equity holders, recognised directly in equity											
New Right Issue		-	-	-	-	-	-	-	-	25,576	25,576
Share based payment expense	44.3	-	-	-	-	-	1,772	-	1,772	-	1,772
Regulatory Loss Allowance Reserve	43.4	-	-	-	-	26,959	-	(26,959)	-	-	-
Transfers during the year		-	-	15,010	-	(15,010)	-	-	-	-	-
Balance as at 31 December 2024		16,334,782	65,484	319,758	346,111	2,537,465	42,863	201,688	19,848,151	360,677	20,208,827
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	644,725	-	-	644,725	14,245	658,970
Other comprehensive income		-	-	-	(159,324)	(14,500)	-	-	(173,824)	274	(173,550)
Total comprehensive income		-	-	-	(159,324)	630,225	-	-	470,901	14,519	485,420
Transactions with equity holders, recognised directly in equity											
Share based payment expense	44.3	-	-	-	-	-	344	-	344	-	344
Transfers during the year	43.1	-	-	34,734	-	8,473	(43,207)	-	-	-	-
Regulatory Loss Allowance Reserve		-	-	-	-	162,986	-	(162,986)	-	-	-
Balance as at 31 December 2025		16,334,782	65,484	354,492	186,787	3,339,149	-	38,702	20,319,396	375,196	20,694,592

The notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.

Statement of Cash Flows

ACCOUNTING POLICY

The cash flow statement has been prepared by using 'The Direct Method' in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognised.

Cash and cash equivalents for the purpose of cash flow statement comprise of cash in hand and at banks, placements with banks, reverse repurchased agreements and unfavourable balances with local & foreign banks that are subject to an insignificant risk of change in their value.

	Note	BANK		GROUP	
		2025	2024	2025	2024
		LKR '000	LKR '000	LKR '000	LKR '000
Cash Flow from Operating Activities					
Interest receipts		**14,928,020**	13,068,063	**17,206,507**	15,190,718
Fee and commission receipts		**1,545,213**	1,152,380	**1,717,828**	1,260,793
Interest payments		**(8,614,789)**	(10,003,842)	**(9,664,579)**	(11,967,467)
Receipts from other operating activities		**740,404**	1,039,233	**980,244**	1,156,194
Payments on other operating activities		**(5,986,083)**	(5,499,366)	**(7,012,588)**	(6,374,705)
Operating profit before changes in operating assets & liabilities		**2,612,765**	(243,532)	**3,227,412**	(734,467)
(Increase)/decrease in operating assets:					
Balances with Central Bank of Sri Lanka		**(431,429)**	109,280	**(431,429)**	109,280
Financial assets at amortised cost - loans and advances to customers		**(29,609,527)**	(18,458,049)	**(34,091,866)**	(19,988,019)
Others		**(84,852)**	830,953	**(241,609)**	816,501
		(30,125,808)	(17,517,816)	**(34,764,904)**	(19,062,238)
Increase /(decrease) in operating liabilities:					
Due to banks		**1,182,225**	2,079,883	**1,182,225**	2,079,883
Due to customers		**14,354,943**	16,403,496	**13,659,732**	16,571,273
Repurchase agreements		**1,208,502**	(12,163,695)	**1,208,502**	(12,163,695)
Others		**271,806**	(241,691)	**344,782**	(194,447)
		17,017,476	6,077,993	**16,395,241**	6,293,014
Net cash from/(used in) operating activities before income tax		**(10,495,567)**	(11,683,355)	**(15,142,251)**	(13,503,691)
Retirement benefit obligation paid	41.2.2	**(100,447)**	(108,129)	**(106,525)**	(111,192)
Income tax paid		**(344,180)**	(556,129)	**(344,180)**	(559,488)
Net cash from/(used in) operating activities		**(10,940,194)**	(12,347,613)	**(15,592,956)**	(14,174,371)
Cash flow from/(used in) investing activities					
Dividends received		**1,554**	1,536	**1,554**	2,133
Financial assets at fair value through profit or loss		**(1,268,395)**	1,641,200	**(1,275,614)**	1,774,930
Financial assets at fair value through other comprehensive income		**(341,652)**	(2,500,335)	**(345,147)**	(2,509,990)
Financial assets at amortised cost - debt and other instruments		**6,711,777**	7,982,917	**7,044,736**	9,423,898
Investment in subsidiaries		**-**	(228,703)	**-**	-
Purchase of property, plant & equipment		**(416,335)**	(758,921)	**(583,472)**	(863,584)
Purchase of intangible assets		**(137,318)**	(686,169)	**(153,399)**	(686,845)
Proceeds from Sale of property,plant & equipment		**1,272**	1,216	**28,012**	4,988
Net cash from/(used in) investing activities		**4,550,903**	5,452,741	**4,716,670**	7,145,530
Cash flow from/(used in) financing activities					
Increase/(decrease) in borrowings		**7,008,694**	2,351,543	**11,330,064**	2,756,970
Proceeds from shares		**-**	-	**-**	25,576
Net cash from/(used in) financing activities		**7,008,694**	2,351,543	**11,330,064**	2,782,546
Net increase/(decrease) in cash and cash equivalents		**619,403**	(4,543,329)	**453,778**	(4,246,295)
Cash and cash equivalents at beginning of the year		**5,224,670**	9,767,999	**5,603,664**	9,849,960
Cash and cash equivalents at end of the year		**5,844,073**	5,224,670	**6,057,442**	5,603,665
Reconciliation of cash and cash equivalents					
Cash in hand and at banks	21	**3,611,952**	3,736,158	**3,911,709**	4,333,380
Placements with banks		**1,864,902**	1,134,133	**1,864,902**	1,135,072
Due to banks - unfavourable balances with banks		**(2,855)**	(208,091)	**(89,242)**	(427,257)
Reverse repurchase agreements	24	**370,074**	562,470	**370,073**	562,470
Total cash and cash equivalents at end of the year		**5,844,073**	5,224,670	**6,057,442**	5,603,665

The notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.

Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

		Non cash change		
	31 Dec 2025 LKR '000	Cash change- Cash flow LKR '000	Foreign exchange movement LKR '000	1 Jan 2025 LKR '000
BANK				
Due to banks	**11,247,150**	**6,870,315**	**-**	**4,376,835**
Less : Unfavourable balances with banks	**(2,855)**	**205,236**	**-**	**(208,091)**
Less : Interest payable	**(80,593)**	**(66,857)**	**-**	**(13,736)**
Total	**11,163,702**	**7,008,694**	**-**	**4,155,008**
GROUP				
Due to banks	**13,589,391**	**8,993,391**	**-**	**4,596,000**
Other borrowed funds	**2,711,522**	**2,304,394**	**-**	**407,128**
Less : Unfavourable balances with banks	**(89,242)**	**338,015**	**-**	**(427,257)**
Less : Interest payable	**(321,173)**	**(305,736)**	**-**	**(15,438)**
Total	**15,890,497**	**11,330,064**	**-**	**4,560,433**

		Non cash change		
	31 Dec 2024 LKR '000	Cash change- Cash flow LKR '000	Non cash change- movement LKR '000	1 Jan 2024 LKR '000
BANK				
Due to banks	4,376,835	2,540,987	-	1,835,848
Less : Unfavourable balances with banks	(208,091)	(186,072)	-	(22,019)
Less : Interest payable	(13,736)	(3,371)	-	(10,365)
Total	4,155,007	2,351,543	-	1,803,463
GROUP				
Due to banks	4,596,000	2,693,856	-	1,902,144
Other borrowed funds	407,128	407,128	-	-
Less : Unfavourable balances with banks	(427,257)	(338,942)	-	(88,315)
Less : Interest payable	(15,438)	(5,073)	-	(10,365)
Total	4,560,434	2,756,970	-	1,803,464

The Notes to the Financial Statements from pages 229 to 353 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1. Reporting Entity

Union Bank of Colombo PLC ("Bank") is a Public Limited Liability Company listed on the Colombo Stock Exchange, incorporated on 02 February 1995 and domiciled in Sri Lanka. It is a Licensed Commercial Bank regulated under the Banking Act No. 30 of 1988 and amendments thereto. The Bank was re-registered under the Companies Act No. 7 of 2007. The registered office of the Bank is located at No. 64, Galle Road, Colombo 03. The ordinary shares of the Bank are listed on the Colombo Stock Exchange.

The staff strength of the Bank as at 31 December 2025 was 1,140 (2024: 1,189).

1.1.1. Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2025 comprise of the Bank (parent company) and the two subsidiaries, National Asset Management Limited and UB Finance PLC, (together referred to as the "Group").

The Financial Statements of all companies in the Group have a common financial year which ends on 31st December.

National Asset Management Limited was incorporated on 28 September 1990 as a Limited Liability Company under the Companies Act No. 17 of 1982. The Company was re-registered under the Companies Act No. 07 of 2007.

UB Finance PLC is a quoted public limited company, incorporated and domiciled in Sri Lanka. The Company was incorporated on 12 July 1961 under the Companies Ordinance No. 38 of 1938 and was re-registered as required under the provision of the Companies Act No. 7 of 2007. The Company is registered with the Central Bank of Sri Lanka as a Licensed Finance Company under the Finance Business Act No 42 of 2011. The ordinary shares of the company are listed on the Colombo Stock Exchange.

1.1.2. Parent Entity and Ultimate Controlling Parties

The Bank's immediate parent is Culture Financial Holding Limited which is registered in the Cayman Islands. The ultimate parent is CG Corp Panama which is registered in Panama. The immediate or the ultimate parents do not publish consolidated financial statements to the public.

1.2. Principal Activities and Nature of Operations

1.2.1. Bank

The Bank provides a comprehensive range of financial services encompassing accepting deposits, personal banking, retail banking, credit and debit cards, trade financing, offshore banking, resident and non-resident foreign currency operations, corporate and retail credit, pawning, project financing, lease financing, rural credit, margin trading, internet banking, money remittance facilities, dealing in Government Securities and treasury related products etc.

1.2.2. Subsidiaries

1.2.2.1 National Asset Management Limited

The principal activities of the company are launching, operating, administrating, and managing unit trusts.

1.2.2.2 UB Finance PLC

The principal activities of the Company are accepting deposits, providing lease, hire purchase and loan facilities and working capital activities such as factoring. The Company also deals in real estate and other investment activities.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review. All subsidiaries are domiciled in Sri Lanka.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Statement of Compliance

The Consolidated Financial Statements of the Group and the separate financial statements of the Bank, which comprises of the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity and Statement of Cash Flows and notes to the financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No. 30 of 1988 and amendments thereto and provide appropriate disclosures as required by listing rules of the CSE.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in the Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also publish annual and quarterly financial information and other disclosures in the Press and the Website in compliance with the aforementioned Circular.

2.2. Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Group as per Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

Notes to the Financial Statements

The Board of Directors acknowledge their responsibility as set out in the 'Annual Report of the Board of Directors' on the Affairs of the Bank', Statement of Directors' Responsibilities on Financial Reporting' and the certification given on the 'Statement of Financial Position' on pages 178, 179 and 224 respectively.

These financial statements include:

- The Statement of Profit or Loss and the Statement of Other Comprehensive Income, providing information on the performance of the Group for the year under review (Refer Pages 222 and 223).
- Statement of Financial Position, providing information on the financial position of the Group as at the year-end (Refer Page 224).
- Statement of Changes in Equity, providing the changes in the shareholders' funds during the year under review for the Group (Refer Page 225 and 226).
- Statement of Cash Flow, providing information to the users, on the ability of the Group to generate cash and cash equivalents and the utilisation of those cash flows (Refer Pages 227 and 228).
- Notes to the financial statements, which comprise of significant accounting policies and other explanatory notes and information (Refer Pages 229 to 353).

2.3. Approval of Financial Statements by the Board of Directors

The financial statements of the Group and the Bank for the year ended 31 December 2025 were authorised for issue by the Board of Directors in accordance with the resolution of the Board of Directors on 27 February 2025.

2.4. Basis of Measurement

The financial statements of the Group have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position;

- Derivative financial instruments are measured at fair value (Note 25).
- Financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value (Note 29).
- Financial assets at fair value through profit or loss (FVPL) are measured at fair value (Note 26).
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation (Note 41.2).

2.5. Functional and Presentation Currency

The financial statements of the Group are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which the Group operates. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Group's presentation and functional currency during the year under review.

2.6. Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 52 to the financial statements.

2.7. Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard: LKAS 01 (Presentation of Financial Statements), the Group has performed a materiality assessment, and each material class of items are presented separately in the financial statements. However, if any other Accounting Standard requires any item to be disclosed separately, those items are reported separately irrespective of the materiality for the better presentation of the financial position and performance of the Group.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.8. Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's classification in order to provide a better presentation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements of the Group in conformity with Sri Lanka Accounting Standards, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses, the accompanying disclosures as well as the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements of the Group are as follows;

3.1. Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The Board of Directors is not aware of any material uncertainties

that cast significant doubt upon the Group's ability to continue as a going concern and they do not intend to liquidate or to cease operations of the Group. Therefore, these financial statements continue to be prepared on a going concern basis.

3.2. Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recorded in the Statement of Financial Position which cannot be derived from the active market, are determined using a variety of valuation techniques, that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, if not available, judgment was used to establish fair values.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 51.

3.3. Classification of Financial Assets and Liabilities

The Group's accounting policies provide scope for assets and liabilities to be classified at inception into different accounting categories. The classification of financial instruments is given in Note 20, "Measurement of Financial Instruments".

3.4. Impairment Losses on Loans and Advances

The measurement of impairment losses under SLFRS 9 – Financial Instruments across all categories of financial assets requires judgment. These estimates are driven by a number of factors and the changes of these factors can result in different levels of allowances.

3.4.1. Individual Impairment Assessment

The Group reviews their individually significant loans and advances at each reporting date to assess whether an impairment allowance should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment allowance. These estimates are based on a number of assumptions and actual results may differ, resulting in future changes to the impairment allowance made.

3.4.2. Collective Impairment Assessment

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Group's expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following;

- The Group's criteria for assessing if there has been a significant increase in credit risk and therefore impairment for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The assumptions and judgments mentioned above are discussed in detail under Note 4.8 to the financial statements.

Furthermore, the procedures followed in the impairment calculations with the current economic outlook have been more fully described in Note 53.1.5 to the financial statements. Sensitivity of collective impairment provision to the staging of the loans and advances and the sensitivity of collective impairment provision to the economic factors are disclosed in Note 53.2.1.3 and 53.2.1.4.

3.5. Impairment of Other Financial Assets

The Group reviews its debt securities classified as FVOCI/ amortised cost at each reporting date to assess whether they are impaired. Objective evidence that debt security held at FVOCI/amortised cost is impaired/ having an increased credit risk includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payment, etc. Management judgment has been involved in determining whether there is a significant increase in credit risk of these instruments as at the reporting date.

3.6. Impairment of Non-financial Assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash Generating Unit (CGU) at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the value in use of such individual assets or the CGUs. Estimating value in use requires the management to make an estimate of the expected future cash flows from the assets or the CGU and also to select a suitable discount rate in order to calculate the present value of the future cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

The details on the assessment of goodwill impairment is given in Note 33.

3.7. Useful lives of Property, Plant and Equipment and Intangible Assets

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment and intangible assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence those are subject to uncertainty.

3.8. Taxation

The Group is subject to income tax and judgment is required to determine the

Notes to the Financial Statements

total provision for current, deferred, and other taxes, due to the uncertainties that exist with respect to the interpretation of the applicability of tax laws at the time of preparation of these financial statements.

The detailed deferred tax computation is given in Note 35 to the Financial Statements.

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3.9. Defined Benefit Obligation

The cost of the defined benefit plans and the present value of its obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and possible future gratuity increases, if any. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates and the expected future salary increase rate of the Group. The mortality rate is based on publicly available mortality tables.

Details of the key assumption used in the estimates are disclosed in Note 41.2.1 to the financial statements.

3.10. Share Based Payments

The Bank measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 44.1.

3.11. Contingent Liabilities and Commitments

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of the Contingent Liabilities and Commitments are disclosed in Note 46 to the financial statements.

3.12. SLFRS 16 - Lease

The Group uses its judgment to determine whether an operating lease contract qualifies to recognise as right-of-use assets. It also uses judgment in the determination of the discount rate used in the calculation of lease liability. The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ('IBR') to measure the lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Further, the Group applies judgment in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either a renewal or termination option.

4. MATERIAL ACCOUNTING POLICIES

Following are the general accounting policies adopted in the presentation of financial statements. The specific accounting policies and the basis of measurement adopted by the Group for each item in the Statement of Profit or Loss and each class of assets and liabilities in the Statement of Financial Position are presented along with the notes to the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements of the Group unless otherwise indicated.

4.1. Basis of Consolidation

The Bank's separate financial statements comprise of the amalgamation of the financial statements of the Domestic Banking Unit, the Off shore Banking Unit and the proportionate share of the profit or loss and net assets of its subsidiaries (equity method) in terms of the Sri Lanka Accounting Standard – LKAS 27 on "Separate Financial Statements".

The Group's financial statements comprise the consolidation of the financial statements of the Bank and its subsidiaries for the year ended 31 December 2025 in terms of the Sri Lanka Accounting Standard - SLFRS 10 on "Consolidated Financial Statements". The financial statements of the Bank's subsidiaries for the purpose of consolidation are prepared for the same reporting year as Union Bank of Colombo PLC using consistent accounting policies.

4.2. Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as per the requirement of Sri Lanka Accounting Standards: SLFRS 03 (Business Combinations). The consideration transferred in the acquisition and identifiable net

assets acquired are measured at fair value. The goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised immediately in the Statement of Profit or Loss. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlements or pre-existing relationships. Such amounts are generally recognised in the statement of profit or loss.

4.2.1. Subsidiaries

Details of the Bank's subsidiaries and how they are accounted in the financial statements of the Bank are set out in Note 32 to the Financial Statements.

4.2.2. Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiaries, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

4.2.3. Transactions Eliminated on Consolidation

Intra-group transactions and balances and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

4.2.4. Non-Controlling Interest (NCI)

The Details of Non-Controlling Interest are given in Note 45 to the Financial Statements.

4.3. Foreign Currency Transaction and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Bank's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the middle exchange rate of the functional currency prevailing at that date and all differences arising from these activities are taken to "Net other operating income" in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the spot exchange rate at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those that were initially recorded are dealt with in the Statement of Profit or Loss.

Forward exchange contracts and SWAPs are valued at the forward market rates ruling on the reporting date. Resulting net unrealised gains or losses are dealt with in the Statement of Profit or Loss.

4.4. Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

4.4.1. Date of Recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

4.4.2. Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments as described in Note 4.4.2.2.1 and Note 4.4.2.2.2 to the Financial Statements.

Financial instruments are initially measured at their fair value plus or minus transaction costs that are directly attributable to their acquisition or issue, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVPL).

Transaction costs in relation to financial assets and financial liabilities at FVPL are dealt with through the Statement of Profit or Loss.

Trade Receivables are measured at transaction price. When the fair value of Financial Instruments at initial recognition differs from the transaction price, the Bank accounts for the "Day 1" profit or loss as described below.

4.4.2.1. "Day 1" Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and the fair value in the Statement of Profit or Loss over the tenor of the financial instrument using the effective interest rate method. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is only recognised in the

Notes to the Financial Statements

Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

The" Day 1 loss" arising in the case of loans granted to employees at the concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest Income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter.

4.4.2.2. Measurement Categories of Financial Assets and Liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost as explained in Note 4.5.1 to the Financial Statements.
- FVOCI as explained in Note 4.5.3 to the Financial Statements.
- FVPL as explained in Note 4.5.4 to the Financial Statements.

The Group classifies and measures its derivative and trading portfolio at FVPL, as explained in Note 4.5.2 to the Financial Statements. The Group may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are either held for trading, derivative instruments or the fair value designation is applied as explained in Notes 4.5.6

4.4.2.2.1. Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4.4.2.2.2. The SPPI Test

As a second step of its classification process, the Group assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. (For example, if there are repayments of principal or amortisation of the premium/discount.)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4.5. Financial Assets and Financial Liabilities

4.5.1. Financial Assets at amortised cost - Loans and Advances to Customers, Debt and Other Instruments, Reverse Repurchase Agreements

The Group measures due from banks, Loans and advances to customers and other financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

After initial measurement, due from banks, Loans and advances to customers and other financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' and the losses arising from impairment are recognised in 'Impairment for loans and other losses' in the Statement of Profit or Loss.

4.5.2. Derivatives Recorded at Fair Value through Profit or Loss

A derivative is a financial instrument or other contract with all three of the following characteristics;

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of non-financial variable, it is not specific to a party to the contract.
- It requires no initial net investment or an initial net investment that is smaller than that would be required for other types of contracts expected to have a smaller response to changes in market factors.
- It is settled at a future date
- The Group enters into derivative transactions with various counterparties. These include foreign currency swaps, interest rate swaps, forward foreign exchange contracts etc. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net other operating income". The Group has not applied hedge accounting for any of its derivatives during the years ended 31 December 2025 and 2024.

4.5.3. Financial Assets at FVOCI

The Group classifies financial assets under this category when both of the following conditions are met;

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.
- FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains/losses are recognised in the statement of profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is explained in Note 4.8.4.3 to these Financial Statements. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in–first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. The OCI reserve has been maintained to account for the changes in assets classified as FVOCI.

4.5.4. Financial Assets recorded at FVPL

As per SLFRS 9, all financial assets other than those classified as amortised cost or FVOCI, are classified and measured at FVPL. Financial assets and financial liabilities at FVPL include financial assets that are held for trading or managed on a fair value basis as they are neither held to collect contractual cash flows nor to sell financial assets.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the statement of profit or loss.

4.5.5. Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments at FVOCI when they meet the definition of equity under Sri Lanka Accounting Standard - LKAS 32 (Financial Instruments: Presentation) and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss under other operating income when the right of the receive the dividend has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

4.5.6. Financial Liabilities at amortised cost - Due to banks, Due to Customers, Repurchased Agreements and Other Borrowed Funds

After initial measurement, financial liabilities at amortised cost - due to banks, due to customers, repurchase agreements and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on the issue of funds and costs that are an integral part of the EIR.

4.5.7. Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and the ECL provision.

The premium received is recognised in the income statement under net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are within the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial

position. The nominal values of these instruments are disclosed in Note 46, while the corresponding ECL is disclosed under Note 41, "Other liabilities".

4.6. Reclassification of Financial Assets and Financial Liabilities

According to the requirement of SLFRS 9, the Group reclassifies its financial assets subsequent to the initial recognition when and only when the business model for managing such financial assets is changed. Such reclassifications are applied prospectively from the reclassification date. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through the profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost and the fair value is recognised in the Statement of Profit or Loss.

When a financial asset is reclassified from out of the fair value through the profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes the new gross carrying value.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement categories, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost and the fair value is recognised in OCI. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, a financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and in to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income category and in to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group did not reclassify any of its financial assets in 2025 except for the reclassification of its Debt Portfolio which is detailed under Note 28.1.1 into these Financial Statements.

4.7. Derecognition of Financial Assets and Financial Liabilities

4.7.1. Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as loans to a customer, when the terms and conditions have been renegotiated to the extent that, substantially the financial asset becomes a new loan, with the difference recognised as a derecognition gain or loss to the extent that an impairment loss has not been recorded. The newly recognised loans are classified under stage 1 for ECL measurement purposes unless the new loan is deemed to be credit impaired at the date of granting.

When assessing whether or not to derecognise a loan to a customer, amongst others, the group considers the following factors;

- Change in currency of the loan.
- Introduction of an equity feature
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cashflows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

4.7.2. Derecognition other than for substantial modification

4.7.2.1. Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial assets.

or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset.

or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

4.7.2.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is related to a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit or loss.

4.8. Impairment Allowance for Financial Assets

4.8.1. Overview of the ECL Principles

The Group calculates impairment allowances on financial assets in accordance with the SLFRS 9 (Financial Instruments) and as per the CBSL Direction No. 13 and 14 of 2021 on Classification, recognition and measurement of credit facilities/ other financial assets in Licensed Banks. The Group records an allowance for expected credit losses (ECL) for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at FVOCI, together with loan commitments, Guarantee contracts, Letter of credits and acceptances.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the Life Time Expected Credit Loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 4.8.3 to the financial statements.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.8.4.2. The details of individual assessment of ECLs are given in Note 4.8.4.1 to the financial statements.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4.8.3. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and "purchased or originated credit impaired (POCI)', as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 and Stage 3.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs.

Notes to the Financial Statements

- Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECLs.
- Purchased or Originated Credit Impaired: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Group did not have POCI loans as at 31 December 2025 and 2024.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

4.8.2. Definition of Default and Cure

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

Further, as per "CBSL" Direction No. 13 of 2021 classification, recognition and measurement of credit facilities in licensed Banks, additional criteria are also used to classify borrowers as default.

As a part of the qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate doubt in the recovery. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

It is the Group's policy to consider a financial asset, as 'cured' and therefore, reclassified out of stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing as per the directions issued by the Central Bank of Sri Lanka.

Once cured, the decision whether to classify an asset as stage 2 or stage 1 largely depends on the days past due, at the time of the cure. The corresponding reduction in ECL is recognised under "Impairment charge/reversal" in Note 12 to the financial statements.

The Group's criteria for 'cure' for rescheduled or restructured loans is more stringent than ordinary loans and is explained in Note 4.8.4.4.

4.8.3. Significant Increase in Credit Risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk, such as restructuring of an asset while the asset is less than past due. Further, restructured loans will remain in stage 2 for at least 6 months from the date of Reschedulement even if such loans become less than past due.

The Group has identified certain industries as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been analysed on a case-by-case basis and required additional provisions have been made by moving stages.

4.8.4. The Calculation of ECL

4.8.4.1. Calculation of ECLs for Individually Significant Loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired, then it is assessed collectively for impairment.

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment on individually significant accounts is reviewed on a monthly basis. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Land, Land and Building which are obtained as collateral against any accommodation including foreclosed properties were revalued by professionally qualified independent valuers.

Individually assessed impairment is only reversed when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

4.8.4.2. Grouping Financial Assets Measured on a Collective Basis

The Group calculates ECL either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include;

- All the customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is not impaired, such customers are moved to collective ECL calculation.
- The treasury and interbank relationships (such as due from banks, debt instruments at amortised cost/FVOCI)

For all other asset classes, the Group calculates ECL on a collective basis. The Group categorises these exposures into subcategories based on a combination of internal characteristics of the loans such as product type and type of collateral.

4.8.4.2.1. The PD Estimation Process
PD estimation for loans and advances under SLFRS 9 is based on the days past due (DPD) of the customers. Accordingly, exposures are categorised into five groups based on DPDs as follows;

- Zero days past due
- 1-30 days past due
- 31-60 days past due
- 61-90 days past due
- Above 90 days past due

However, for debt and other instruments classified as amortised cost/FVOCI, the Group relies on external credit ratings in determining their respective PDs.

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

To calculate the EAD for a stage 1 loan, the Group assesses the possible default events within 12 months. For stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

4.8.4.2.3. Loss Given Default
The Loss Given Default (LGD) rates take into account the EAD in comparison to the amount recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics as well as borrower characteristics. LGD values are assessed on a monthly basis.

For financial assets other than loans and receivables, the Group uses the LGD rates specified by the regulator in the Basel III guidelines when calculating the ECL as per SLFRS 9.

4.8.4.2.4. Forward Looking Information
In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Interest rate
- Exchange rate
- Inflation rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

To reflect these uncertainties in the calculation of ECLs, the Group changes the weights assigned for multiple economic scenarios.

To ensure completeness and accuracy, the Group obtains the above data primarily from the Central Bank of Sri Lanka (CBSL). Other sources such as the IMF, the World Bank, the Department of Census and Statistics etc. are also used when CBSL data is not available.

4.8.4.3. Debt Instruments Measured at FVOCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value instead an amount equal to the impairment that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a correspondence charge to the statement of profit or loss. The accumulated loss recognised in OCI is reclassified to the statement of profit or loss upon the derecognition of the assets.

4.8.4.4. Rescheduled and Restructured Loans
The Group makes modifications to the original terms of loans in response to the borrower's financial difficulties, rather than taking possession of the collateral. The Bank considers such loans as rescheduled or restructured loans. Reschedulement or restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

Staging of the Rescheduled/restructured loans are in accordance with the CBSL Direction No. 13 on Classification, recognition and measurement of credit facilities. Rescheduled/Restructured loans are upgraded to stage 1 by the Bank's Risk Management Department based on their independent evaluation of the customers considering the specified observation period.

4.8.5. Collateral Valuation
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and subsequently in accordance with the CBSL directives. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using

third party independent valuation reports.

4.8.6. Write-offs

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in "Other income" in the Statement of Profit or Loss. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4.9. Fair Value Determination and Measurement

4.9.1. Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

4.9.2. Measurement of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e, the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Details of fair value of assets and liabilities and their inputs based on fair value hierarchy is given in Note 51 to the financial statement.

4.10. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an identified asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all the economic benefits from the use of the assets throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset if either;
  - The Group has the right to operate the asset or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used

4.10.1. Group as the Lessee

4.10.1.1. Right of use assets

The Group recognises the right of use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially

measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial cost incurred less any lease incentives received.

Right-of-use assets are subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life or end of the lease term.

The right of use asset is presented within Note 34 - Property, equipment and right of use assets and are subject to impairment in line with the Group's policy as described in Note 3.6, Impairment of non-financial assets.

4.10.1.2. Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Groups' incremental borrowing rate.

The Lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments based on the decisions of extensions, early terminations etc. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents Right of use asset in Note 34 and correspondence Lease liability in Note 41.1 to these Financial Statements.

4.10.1.3. Short-term leases and leases of low value assets

The Group has elected not to recognise right of use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Group recognises lease payments associated with these leases as an expense based on the lease agreements.

4.10.2 Group as a Lessor

To classify each lease as a Finance lease or an operating lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. In this case, it is a Finance lease. If not, it is an operating lease.

When the Group is a lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 27 "Loans and Advances". Interest Income is recognised in "Net interest income" over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

4.11. Fiduciary Assets

The Group provides fiduciary services that result in the holding of assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Group.

4.12. Provisions

As a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, provision is recognised in the Financial Statements.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. In a situation where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

4.13. Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

4.14. Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2025

The new and amended accounting standards issued up to the date these financial statements are authorised for issue, but not yet effective for the current reporting period, are disclosed below. These standards and amendments will be adopted, if applicable, when they become effective.

5.1. SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts, covering recognition, measurement, presentation, and disclosure. It replaces SLFRS 4 and applies to all types of insurance contracts including life, non-life, direct insurance, reinsurance as well as certain guarantees and financial instruments with discretionary participation features:

The standard is built around the General Measurement Model, supported by two supplementary approaches:

- Variable Fee Approach (VFA): for contracts with direct participation features

Notes to the Financial Statements

- Premium Allocation Approach (PAA): a simplified model mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early adoption is allowed if the entity also applies SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers by the date SLFRS 17 is first applied.

SLFRS 17 does not have a material impact on the financial statements.

5.2. SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised 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.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted. The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

5.3. SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles.

The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users. SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted

The Group is not eligible to apply SLFRS 19.

5.4. Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability-linked terms and nature-dependent electricity contracts. These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted.

The impact of these amendments is currently being identified and evaluated.

5.5. Annual improvements to Sri Lanka Accounting Standards

Narrow scope amendments as part of its periodic maintenance of Sri Lanka Accounting Standards will be adopted, if applicable, when they become effective.

6. GROSS INCOME

ACCOUNTING POLICY

Gross income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria for each type of gross income are given under the respective income notes.

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Interest income	7.1	**15,130,283**	14,008,163	**17,386,361**	15,974,939
Fee and commission income	8.1	**2,010,347**	1,543,796	**2,213,064**	1,678,780
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	9	**1,350**	133,668	**10,969**	129,448
Net gains/(losses) from derecognition of financial investments	10	**596,707**	737,131	**597,441**	754,902
Net other operating income	11	**496,880**	27,926	**706,957**	139,386
Total		**18,235,567**	16,450,684	**20,914,792**	18,677,455

7. NET INTEREST INCOME

ACCOUNTING POLICY

The Group recognises interest income for all financial instruments measured at amortised cost, financial instruments measured at FVPL and interest earning financial assets measured at FVOCI using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR and therefore, the amortised cost of the asset is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income and interest expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. The calculation includes all fees received or paid between parties to the contract, that are an integral part of the effective interest rate.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the balance sheet with a corresponding increase or decrease in Interest income calculated using the effective interest method.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit impaired as set out in Note 4.8.2 and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset for individually impaired financial assets. Bank ceases the recognition of interest income on assets that are collectively impaired and categorised under stage 3. When it is probable that the economic benefits associated will not continue to flow to the Bank. If the financial assets cure and are no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Interest income	7.1	**15,130,283**	14,008,163	**17,386,361**	15,974,939
Less: Interest expense	7.2	**9,492,299**	9,181,644	**10,644,848**	10,358,394
Net interest income		**5,637,984**	4,826,519	**6,741,513**	5,616,545

Notes to the Financial Statements

7. NET INTEREST INCOME (CONTD.)

7.1 Interest income

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Reverse repurchase agreements	**100,613**	164,763	**108,251**	178,901
Placements with banks	**52,925**	45,242	**54,192**	47,258
Financial assets at fair value through profit or loss	**471,088**	556,865	**493,680**	560,957
Financial assets at amortised cost - loans and advances to customers	**9,433,138**	6,363,366	**11,593,150**	8,136,762
Interest income accrued on impaired financial assets	**797,459**	1,552,155	**797,459**	1,552,155
Financial assets at amortised cost - debt and other instruments	**2,197,224**	3,006,007	**2,261,793**	3,179,141
Financial assets at fair value through other comprehensive income	**2,077,836**	2,319,765	**2,077,836**	2,319,765
Total	**15,130,283**	14,008,163	**17,386,361**	15,974,939

7.2 Interest expenses

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Due to banks	**935,834**	529,027	**1,007,046**	533,522
Repurchased agreements	**1,465,249**	1,404,734	**1,465,249**	1,407,105
Financial liabilities at amortised cost - Due to customers	**7,091,216**	7,247,883	**7,962,350**	8,378,601
Financial liabilities at amortised cost - Other borrowed funds	**-**	-	**210,203**	39,166
Total	**9,492,299**	9,181,644	**10,644,848**	10,358,394

7.3 Net interest income from Sri Lanka Government Securities

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Interest income	**4,434,454**	5,805,049	**4,506,661**	5,992,320
Less: Interest expense	**1,465,249**	1,404,734	**1,465,249**	1,402,364
Net interest income from Sri Lanka government securities	**2,969,205**	4,400,315	**3,041,412**	4,589,956

8. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers.

(i) Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include trade service fees, commission income and asset management fees etc.

(ii) Fee and commission income from providing transaction services
Fees arising from negotiating or participating in negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Fee and commission expenses
All the fees and commission expenses are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Fee and commission income	8.1	**2,010,347**	1,543,796	**2,213,064**	1,678,780
Less: Fee and commission expenses	8.2	**465,132**	391,417	**495,234**	417,988
Net Fee and commission income		**1,545,215**	1,152,379	**1,717,830**	1,260,792

8.1 Fee and commission income

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Loans	**227,697**	128,124	**319,174**	156,243
Trade and remittances	**768,952**	539,820	**768,952**	539,820
Credit and debit cards	**499,687**	543,715	**499,687**	543,715
Bancassurance	**44,991**	42,369	**44,991**	42,369
Fund management	**-**	-	**72,289**	56,835
Deposits related fee	**332,797**	184,820	**332,797**	184,820
Guarantees	**106,671**	88,287	**106,671**	88,287
Others	**29,552**	16,661	**68,503**	66,691
Total	**2,010,347**	1,543,796	**2,213,064**	1,678,780

8.2 Fee and commission expenses

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Financial services	**82,007**	64,896	**112,109**	91,467
Credit and debit cards	**265,406**	236,900	**265,406**	236,900
Brokerage fees	**117,719**	89,621	**117,719**	89,621
Total	**465,132**	391,417	**495,234**	417,988

Notes to the Financial Statements

9. NET FAIR VALUE GAINS/ (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

Income arising from trading activities include all unrealised gains and losses arising due to changes in fair value and dividend income from "financial assets at fair value through profit or loss". Dividend income is recognised when the Group's right to receive the payment is established.

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Government securities	**(32,544)**	138,104	**(32,544)**	133,884
Unit investments	**33,894**	(4,436)	**43,513**	(4,436)
Total	**1,350**	133,668	**10,969**	129,448

10. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL INVESTMENTS

ACCOUNTING POLICY

Net gains/(losses) on derecognition of financial assets include realised gain/ (loss) related to financial assets measured at fair value through profit or loss, debt instruments measured at FVOCI and financial instruments measured at amortised cost.

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Government Securities				
- fair value through profit or loss	**19,239**	28,586	**19,239**	45,760
- fair value through other comprehensive income	**386,386**	326,979	**387,120**	327,576
Sub Total	**405,625**	355,565	**406,359**	373,336
Unit Investments				
- fair value through profit or loss	**191,082**	381,566	**191,082**	381,566
Sub Total	**191,082**	381,566	**191,082**	381,566
Total	**596,707**	737,131	**597,441**	754,902

11. NET OTHER OPERATING INCOME

ACCOUNTING POLICY

Income earned on other sources, which are not directly related to the normal operations of the Group are recognised as net other operating income, such as gains on disposal of property, plant and equipment, gain from investments in real estate and foreign exchange gains/ (losses).

Gains/(losses) arising from the disposal of property, plant and equipment are recorded after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Foreign exchange gain includes income arising from customer transactions and revaluation of foreign currency assets/ liabilities.

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Net gain/(loss) on sale of property, plant and equipment	**1,271**	498	**8,602**	2,877
Foreign exchange gains/(losses)	**265,101**	(6,181)	**265,101**	(6,181)
Income from real estate	**-**	-	**6,034**	10,607
Others	**230,508**	33,609	**427,220**	132,083
Total	**496,880**	27,926	**706,957**	139,386

Foreign exchange gains include gains/(losses) from inter-bank foreign exchange transactions amounting to LKR 168.6 Mn Gain (LKR 304.6 Mn loss for 2024).

12. IMPAIRMENT FOR LOANS AND OTHER LOSSES

ACCOUNTING POLICY

The Group recognises impairment provision for financial assets in accordance with Sri Lanka Accounting Standard SLFRS 9 – "Financial Instruments". The Accounting policy adopted in determining the same is given in Note 27.5 to these financial statements. These financial assets include financial assets measured at amortised cost, loan commitments and other contingent liabilities and commitments. The charge also includes impairment of Group Intangibles and Investment in subsidiaries.

Further, the Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset.

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Financial assets at amortised cost - loans and advances to customers	12.1	**331,516**	146,392	**426,418**	185,411
Contingent liabilities and commitments	12.2	**23,903**	(8,384)	**25,965**	(22,841)
Investments in subsidiaries	32.1	**3,228**	3,893	**-**	-
Investments in real estate	31.1	**-**	-	**19,031**	15,602
Goodwill and intangible assets		**-**	-	**3,228**	3,893
Total impairment charge/(reversal)		**358,647**	141,901	**474,642**	182,064

Notes to the Financial Statements

12. IMPAIRMENT FOR LOANS AND OTHER LOSSES (CONTD.)

12.1 Financial assets at amortised cost - loans and advances to customers

	BANK							
For the year ended 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Term loans	**362,070**	**(62,419)**	**(90,006)**	**209,645**	331,577	(540,456)	349,528	140,649
Overdrafts	**19,786**	**(1,939)**	**(174,103)**	**(156,256)**	1,675	(42,619)	(35,125)	(76,069)
Trade finance	**53,415**	**(3,009)**	**36,435**	**86,841**	76,699	10,198	12,807	99,704
Lease and hire purchase	**36,067**	**5,650**	**8,000**	**49,717**	8,818	(20,905)	(5,754)	(17,841)
Factoring	**361**	**267**	**8,115**	**8,743**	8,795	(1,107)	1,510	9,198
Credit cards	**9,589**	**(13,512)**	**136,959**	**133,036**	(7,916)	(26,047)	25,762	(8,201)
Others	**(210)**	**-**	**-**	**(210)**	(1,018)	-	(30)	(1,048)
Impairment charge/(reversal)	**481,078**	**(74,962)**	**(74,600)**	**331,516**	418,630	(620,936)	348,698	146,392

	GROUP							
For the year ended 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Term loans	**346,151**	**(65,558)**	**(88,774)**	**191,819**	328,415	(556,562)	347,284	119,137
Overdrafts	**19,787**	**(1,939)**	**(174,103)**	**(156,255)**	1,674	(42,619)	(35,125)	(76,070)
Trade finance	**53,415**	**(3,009)**	**36,435**	**86,841**	76,699	10,198	12,807	99,704
Lease and hire purchase	**29,349**	**31,234**	**97,796**	**158,379**	18,499	(34,578)	44,049	27,970
Factoring	**361**	**267**	**3,893**	**4,521**	8,795	(1,602)	23,428	30,621
Credit cards	**9,589**	**(13,512)**	**136,959**	**133,036**	(7,916)	(26,047)	25,762	(8,201)
Others	**4,302**	**3,583**	**192**	**8,077**	(1,576)	(2,335)	(3,839)	(7,750)
Impairment charge/(reversal)	**462,954**	**(48,934)**	**12,398**	**426,418**	424,590	(653,545)	414,366	185,411

12.2 Contingent liabilities and Commitments

	BANK							
For the year ended 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Undrawn loan commitments	**22,390**	**(328)**	**-**	**22,062**	(15)	(24,498)	-	(24,513)
Other commitments	**2,799**	**(194)**	**(764)**	**1,841**	17,104	(590)	(385)	16,129
Impairment charge/ (reversal)	**25,189**	**(522)**	**(764)**	**23,903**	17,089	(25,088)	(385)	(8,384)

	GROUP							
For the year ended 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Undrawn loan commitments	**24,452**	**(328)**	**-**	**24,124**	3,623	(27,997)	(14,596)	(38,970)
Other commitments	**2,799**	**(194)**	**(764)**	**1,841**	17,104	(590)	(385)	16,129
Impairment charge/ (reversal)	**27,251**	**(522)**	**(764)**	**25,965**	20,727	(28,587)	(14,981)	(22,841)

13. PERSONNEL EXPENSES

ACCOUNTING POLICY

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provision for bonus is recognised if the Group has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

Employees' Provident Fund and Employees' Trust Fund

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

Defined benefit plans

Contributions to defined benefit plans are recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability of the Group in accordance with LKAS 19 - 'Employee Benefits' which is more fully described in Note 41.2 to these financial statements.

Share based payments

Share based payments represent the Bank's cost on the Employee Share Option Plan, which is more fully described in Note 44 to these financial statements.

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Salary and bonus		**1,709,740**	1,487,997	**2,052,146**	1,748,511
Contributions to defined contribution plans		**256,475**	230,693	**299,691**	263,643
Contributions to defined benefit plans	13.1	**90,613**	97,292	**106,333**	108,507
Share based expense	44.3	**344**	1,772	**344**	1,772
Others	13.2	**592,811**	608,004	**694,988**	652,896
Total		**2,649,983**	2,425,758	**3,153,502**	2,775,329

Notes to the Financial Statements

13. PERSONNEL EXPENSES (CONTD.)

13.1 Contributions to defined benefit plans have been made based on the actuarial valuation carried out as at 31 December 2025. Refer Note 41.2 for detailed disclosure and assumptions on the retirement benefit obligation.

13.2 Others include conveyance expenses, staff insurance, training related expenses and amortisation of pre-paid staff cost.

14. DEPRECIATION AND AMORTISATION

ACCOUNTING POLICY

The Group provides depreciation and amortisation from the date the assets are available for use up to the date of disposal, on a straight line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Improvements to leasehold properties are depreciated over the shorter of the lease term and their useful lives.

Depreciation of asset ceases at the earlier of the date that the asset is classified as held for sale or the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Assets category	Estimated useful lives
Building	40 Years
Leasehold improvements	5 – 10 Years
Computer, equipment and generators	6 – 15 Years
Furniture and fittings	5 – 8 Years
Motor vehicles	5 Years
Computer software	10 Years

Amortisation of right of use assets

The right of use assets are depreciated using a straight line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term.

Changes in estimates

Depreciation/amortisation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

		BANK		GROUP	
For the year ended 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Amortisation of intangible assets	33	**348,875**	281,826	**351,087**	283,335
Depreciation of property, plant and equipment	34	**264,115**	205,235	**314,783**	246,109
Amortisation of right of use-assets	34	**342,854**	327,264	**385,739**	365,939
Total		**955,844**	814,325	**1,051,609**	895,383

15. OTHER EXPENSES

ACCOUNTING POLICY

Other expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

For the year ended 31 December	Note	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Auditor's remuneration	15.1	**17,620**	16,268	**22,591**	19,846
Directors' fees	15.2	**26,183**	24,759	**37,630**	35,203
Professional and legal expenses		**85,359**	34,175	**100,991**	51,713
Advertising and marketing expenses		**241,478**	169,034	**319,752**	220,799
Office administration and establishment expenses		**1,735,941**	1,726,775	**2,039,796**	2,013,353
Deposit insurance expenses		**109,278**	96,281	**120,537**	107,111
Others	15.3	**257,380**	220,152	**261,173**	230,167
Total		**2,473,239**	2,287,444	**2,902,470**	2,678,192

15.1 Auditor's remuneration

For the year ended 31 December	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Audit fees	**8,352**	9,628	**13,323**	13,206
Non audit expenses	**9,268**	6,640	**9,268**	6,640
Total	**17,620**	16,268	**22,591**	19,846

15.2 Directors' fees include fees paid to Non Executive Directors. Remuneration paid to the Executive Director is included under salary and bonus in Note 13.

15.3 Others include transportation related expenses, other overhead expenses incurred on day to day operations of the group.

16. VALUE ADDED TAX (VAT) ON FINANCIAL SERVICES & SOCIAL SECURITY CONTRIBUTION LEVY (SSCL) ON FINANCIAL SERVICES

ACCOUNTING POLICY

Value Added Tax on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before all taxes adjusted for the economic depreciation and emoluments paid to employees including cash benefits, non-cash benefits and provision related to terminal benefits. The VAT rate applied in 2025 is 18% (2024: 18%).

Social Security Contribution Levy on Financial Services

SSCL shall be paid by any person carrying on the business of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No.25 of 2022 at the rate of 2.5% with effect from 1 October 2022. SSCL is payable on 100% of the value addition attributable to financial services. The value addition is computed based on the guidelines given under the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto.

For the year ended 31 December	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Value added tax on financial services	**626,833**	482,440	**753,530**	558,184
Social Security Contribution Levy on Financial Services	**87,060**	67,006	**104,657**	78,508
Total	**713,893**	549,446	**858,187**	636,692

Notes to the Financial Statements

17. TAX EXPENSE

ACCOUNTING POLICY

As per Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense is the aggregate amount included in the determination of profits or loss for the year in respect of income tax and deferred tax. The Income tax expense is recorded in the Statement of Profit or Loss except to the extent it relates to items recognised directly in the Statement of Comprehensive Income, in which case it is recognised in other comprehensive income. The Group applied IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment" in the determination of taxable profit, tax bases, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Group that require additional disclosures in the financial statements.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered or paid to the Commissioner General of Inland Revenue in respect of the current year as well as any adjustment to the tax payable or receivable in respect of previous years. The tax rates and tax laws used to compute the amount of current tax assets and current tax liabilities are those that are enacted or substantively enacted on the reporting date. Accordingly, the provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and Inland Revenue Act No 45 of 2022, at the rates specified in Note 17.1.1 to these financial statements.

Deferred Taxation

Deferred tax is recognised on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investment in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax shall be recognised for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination.
- at the time of the transaction, affect neither accounting profit nor taxable profit (tax loss); and
- at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss. Deferred tax assets and deferred liabilities are offset if a legally enforceable right exists to set of current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Details of current tax liabilities and deferred tax liabilities/(assets) are given in Note 30 and 35 to these financial statements.

For the year ended 31 December	Note	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Current tax expense	17.1	**685,895**	227,369	**779,651**	229,582
Under/(Over) provision in respect of prior years	17.1	**30,000**	-	**30,000**	710
Deferred tax charge/ (reversal)	17.2	**(157,407)**	129,707	**(134,321)**	203,395
Total		**558,488**	357,076	**675,330**	433,687
Effective tax rate		**49.6%**	54.2%	**50.6%**	59.1%

17.1 Reconciliation of accounting profit to income tax expense

For the year ended 31 December	BANK 2025 %	BANK 2025 LKR '000	BANK 2024 %	BANK 2024 LKR '000	GROUP 2025 %	GROUP 2025 LKR '000	GROUP 2024 %	GROUP 2024 LKR '000
Profit before tax		**1,213,182**		657,278		**1,334,300**		733,413
Adjust : Share of profit of equity accounted investees, net of tax		**86,652**		(1,471)		**-**		-
Adjusted profit before taxes		**1,126,530**		658,749		**1,334,300**		733,413
Tax using the comparable tax rate	**30.0%**	**337,959**	30.0%	197,624	**30.0%**	**400,291**	30.0%	220,024
Tax using the Concession tax rate	**0.6%**	**7,133**	-	-	**0.5%**	**7,133**	-	-
Add: disallowable expenses	**58.8%**	**662,390**	79.3%	522,257	**58.6%**	**781,773**	71.5%	524,600
Less: Tax deductible expenses	**(26.7%)**	**(300,912)**	(74.8%)	(492,512)	**(26.8%)**	**(358,445)**	(68.4%)	(501,859)
Less: Tax exempt income	**(1.8%)**	**(20,675)**	-	-	**(1.5%)**	**(20,675)**	(1.8%)	(13,183)
Tax losses utilised	**-**	**-**	-	-	**(2.3%)**	**(30,426)**	-	-
Taxable profit	**60.9%**	**685,895**	34.5%	227,369	**58.4%**	**779,651**	31.3%	229,582
Under / (Over) provision in respect of previous years	**2.7%**	**30,000**	-	-	**2.2%**	**30,000**	0.1%	710
Deferred tax charge/(reverse)	**(14.0%)**	**(157,407)**	19.7%	129,707	**(10.1%)**	**(134,321)**	27.7%	203,395
Tax expense	**49.6%**	**558,488**	54.2%	357,076	**50.6%**	**675,330**	59.1%	433,687

17.1.1 Applicable rates of tax

For the year ended 31 December	BANK & GROUP 2025	BANK & GROUP 2024
Income tax on Union Bank of Colombo PLC	**30%**	30%
Profit from foreign currency investment	**15%**	30%
Income tax on National Asset Management Limited (NAMAL)		
-Profits from Unit trust business	**30%**	30%
-Profits from Investments and Others	**30%**	30%
Income tax on UB Finance PLC	**30%**	30%

Notes to the Financial Statements

17. TAX EXPENSE (CONTD.)

17.2. The deferred tax charge/ (reversal) in the Statement of Profit or Loss and Statement of Comprehensive Income

BANK

For the year ended 31 December	2025			
	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income LKR '000
Depreciation allowances for tax purpose	-	206,420	(21,019)	-
Impairment allowance	916,213	-	(154,188)	-
Re-measurement of financial assets - at fair value through other comprehensive income	-	71,052	-	(69,572)
Retirement benefit obligation	73,593	-	2,950	-
Actuarial gains/ (losses) on defined benefit plan liability	21,826	-	-	(4,988)
Other temporary differences	80,183	-	14,850	-
Total	1,091,815	277,472	(157,407)	(74,560)
Total deferred tax charge/ (reverse)			(157,407)	(74,560)

BANK

For the year ended 31 December	2024			
	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income LKR '000
Depreciation allowances for tax purpose	-	227,438	(4,652)	-
Impairment allowance	762,025	-	140,542	-
Re-measurement of financial assets - at fair value through other comprehensive income	-	140,624	-	107,132
Retirement benefit obligation	76,544	-	3,251	-
Actuarial gains/ (losses) on defined benefit plan liability	16,838	-	-	8,000
Other temporary differences	95,033	-	(9,434)	-
Total	950,440	368,062	129,707	115,132
Total deferred tax charge/ (reverse)			129,707	115,132

GROUP

For the year ended 31 December	2025			
	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income LKR '000
Carried forward losses	-	-	35,184	-
Depreciation allowances for tax purpose	-	297,695	54,871	-
Impairment allowance	957,609	-	(160,093)	-
Re-measurement of financial assets - at fair value through other comprehensive income	-	81,881	-	(68,136)
Retirement benefit obligation	88,319	-	1,356	-
Actuarial gains/ (losses) on defined benefit plan liability	21,561	(1,859)	-	(6,243)
Other temporary differences	173,434	-	(65,639)	-
Total	1,240,923	377,717	(134,321)	(74,379)
Total deferred tax charge/ (reverse)			(134,321)	(74,379)

GROUP

For the year ended 31 December	2024			
	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income LKR '000
Depreciation allowances for tax purpose	-	242,824	(7,790)	-
Impairment allowance	797,516	-	151,421	-
Carried forward losses	35,184	-	74,657	-
Retirement benefit obligation	91,367	-	805	-
Actuarial gains/ (losses) on defined benefit plan liability	16,828	1,344	-	7,962
Re-measurement of financial assets - at fair value through other comprehensive income	-	150,017	-	110,029
Other temporary differences	107,869	-	(15,698)	-
Total	1,048,764	394,185	203,395	117,991
Total deferred tax charge/ (reverse)			203,395	117,991

Notes to the Financial Statements

18. EARNINGS PER SHARE (EPS)

ACCOUNTING POLICY

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share warrants issued, and employee share ownership plans as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) - 'Earnings per Share'.

18.1 Earnings per share - Basic

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025**	**2024**	**2025**	**2024**
Net profit attributable to ordinary shareholders (LKR '000)		**654,694**	300,202	**644,725**	297,673
Weighted average number of ordinary shares ('000)	18.1.1	**1,083,558**	1,083,558	**1,083,558**	1,083,558
Basic earnings per ordinary share (LKR)		**0.6**	0.3	**0.6**	0.3

18.1.1 Weighted average number of ordinary shares for basic EPS

BANK & GROUP

	2025		2024	
	Outstanding '000	**Weighted Average '000**	**Outstanding '000**	**Weighted Average '000**
Number of shares held as at 1 January	**1,083,558**	**1,083,558**	1,083,558	1,083,558
Number of shares held as at 31 December	**1,083,558**	**1,083,558**	1,083,558	1,083,558

18.2 Earnings per share - Diluted

		BANK		GROUP	
For the year ended 31 December	**Note**	**2025**	**2024**	**2025**	**2024**
Net profit attributable to ordinary shareholders (LKR '000)		**654,694**	300,202	**644,725**	297,673
Weighted average number of ordinary shares ('000)	18.2.1	**1,083,558**	1,082,812	**1,083,558**	1,082,812
Diluted earnings per ordinary share (LKR)		**0.6**	0.3	**0.6**	0.3

18.2.1 Weighted average number of ordinary shares for diluted EPS

		BANK & GROUP	
For the year ended 31 December	**Note**	**2025 '000**	**2024 '000**
Number of ordinary shares used as denominator for Basic EPS	18.1.1	**1,083,558**	1,083,558
Effect of dilution :			
Add: Weighted average number of potential ordinary shares outstanding under warrant		**-**	218,281
Add: Weighted average number of potential ordinary shares outstanding under ESOP		**-**	22,875
Less: Weighted average number of potential ordinary shares that would have been issued at average market price		**-**	(241,903)
Number of shares held as at 31 December		**1,083,558**	1,082,812

19. DIVIDEND PAID AND PROPOSED

ACCOUNTING POLICY

Interim and final dividend are recognised and accrued at the time the dividend is proposed and approved by the Board of Directors and is in accordance with the Companies Act No 7 of 2007.

There are no dividends paid or proposed during the financial year 2025.

20. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards - SLFRS 9 Financial Instruments under the headings of the Statement of Financial Position.

BANK

		2025			
As at 31 December	Note	Fair Value through P&L LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
Assets					
Cash and cash equivalents	21	-	-	3,611,952	3,611,952
Balances with Central Bank of Sri Lanka	22	-	-	807,025	807,025
Placements with banks	23	-	-	1,865,906	1,865,906
Reverse repurchased agreements	24	-	-	370,074	370,074
Derivative financial instruments	25	101,354	-	-	101,354
Financial assets at fair value through profit or loss	26	6,127,879	-	-	6,127,879
Financial assets at amortised cost - loans and advances to customers	27	-	-	110,786,384	110,786,384
Financial assets at amortised cost - debt and other instruments	28	-	-	16,093,548	16,093,548
Financial assets at fair value through other comprehensive income	29	-	23,385,583	-	23,385,583
Other financial assets	36	-	-	61,370	61,370
Total financial assets		6,229,233	23,385,583	133,596,259	163,211,075

		2025		
As at 31 December	Note	Fair Value through P&L LKR '000	Amortised Cost LKR '000	Total LKR '000
Liabilities				
Due to banks	37	5,720	16,049,233	16,049,233
Derivative financial instruments	25		-	5,720
Repurchased agreements	38	-	14,409,249	14,409,249
Financial liabilities at amortised cost - Due to customers	39	-	118,801,447	118,801,447
Other financial liabilities	41	-	1,356,502	1,356,502
Total financial liabilities		5,720	150,616,431	150,622,151

Notes to the Financial Statements

20. MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

BANK

		2024			
As at 31 December	Note	Fair Value through P&L LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
Assets					
Cash and cash equivalents	21	-	-	3,736,158	3,736,158
Balances with Central Bank of Sri Lanka	22	-	-	375,596	375,596
Placements with banks	23	-	-	1,135,072	1,135,072
Reverse repurchased agreements	24	-	-	562,470	562,470
Derivative financial instruments	25	44,429	-	-	44,429
Financial assets at fair value through profit or loss	26	4,884,509	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	27	-	-	81,202,856	81,202,856
Financial assets at amortised cost - debt and other instruments	28	-	-	22,863,756	22,863,756
Financial assets at fair value through other comprehensive income	29	-	23,322,397	-	23,322,397
Other financial assets	36	-	-	36,493	36,493
Total financial assets		4,928,938	23,322,397	109,912,401	138,163,736

		2024		
As at 31 December	Note	Fair Value through P&L LKR '000	Amortised Cost LKR '000	Total LKR '000
Liabilities				
Due to banks	37	-	7,996,693	7,996,693
Derivative financial instruments	25	22,162	-	22,162
Repurchased agreements	38	-	13,197,001	13,197,001
Financial liabilities at amortised cost - Due to customers	39	-	103,740,584	103,740,584
Other financial liabilities	41	-	1,375,702	1,375,702
Total financial liabilities		22,162	126,309,980	126,332,142

GROUP

As at 31 December	Note	2025 Fair Value through P&L LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
Assets					
Cash and cash equivalents	21	-	-	3,911,709	3,911,709
Balances with Central Bank of Sri Lanka	22	-	-	807,025	807,025
Placements with banks	23	-	-	1,865,906	1,865,906
Reverse repurchased agreements	24	-	-	370,074	370,074
Derivative financial instruments	25	101,354	-	-	101,354
Financial assets at fair value through profit or loss	26	6,245,426	-	-	6,245,426
Financial assets at amortised cost - loans and advances to customers	27	-	-	123,661,943	123,661,943
Financial assets at amortised cost - debt and other instruments	28	-	-	16,771,211	16,771,211
Financial assets at fair value through other comprehensive income	29	-	23,420,591	-	23,420,591
Other financial assets	36	-	-	73,589	73,589
Total financial assets		6,346,780	23,420,591	147,461,457	177,228,828

As at 31 December	Note	2025 Fair Value through P&L LKR '000	Amortised Cost LKR '000	Total LKR '000
Liabilities				
Due to banks	37	-	18,391,473	18,391,473
Derivative financial instruments	25	5,720	-	5,720
Repurchased agreements	38	-	14,409,249	14,409,249
Financial liabilities at amortised cost - Due to customers	39	-	124,821,582	124,821,582
Financial liabilities at amortised cost - Other borrowed funds	40	-	2,711,522	2,711,522
Other financial liabilities	41	-	1,897,509	1,897,509
Total financial liabilities		5,720	162,231,335	162,237,055

Notes to the Financial Statements

20. MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

GROUP

		2024			
As at 31 December	Note	Fair Value through P&L LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
Assets					
Cash and cash equivalents	21	-	-	4,333,380	4,333,380
Balances with Central Bank of Sri Lanka	22	-	-	375,596	375,596
Placements with banks	23	-	-	1,135,072	1,135,072
Reverse repurchased agreements	24	-	-	562,470	562,470
Derivative financial instruments	25	44,429	-	-	44,429
Financial assets at fair value through profit or loss	26	4,994,837	-	-	4,994,837
Financial assets at amortised cost - loans and advances to customers	27	-	-	89,885,133	89,885,133
Financial assets at amortised cost - debt and other instruments	28	-	-	23,874,378	23,874,378
Financial assets at fair value through other comprehensive income	29	-	23,353,910	-	23,353,910
Other financial assets	36	-	-	58,141	58,141
Total financial assets		5,039,266	23,353,910	120,224,170	148,617,346

		2024		
As at 31 December	Note	Fair Value through P&L LKR '000	Amortised Cost LKR '000	Total LKR '000
Liabilities				
Due to banks	37	-	8,215,859	8,215,859
Derivative financial instruments	25	22,162	-	22,162
Repurchased agreements	38	-	13,197,001	13,197,001
Financial liabilities at amortised cost - Due to customers	39	-	110,629,257	110,629,257
Financial liabilities at amortised cost - Other borrowed funds	40	-	407,128	407,128
Other financial liabilities	41	-	1,797,256	1,797,256
Total financial liabilities		22,162	134,246,501	134,268,663

21. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise of cash in hand and balances with Banks that are subject to an insignificant risk of changes in their value and are used by the Group in the management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Local currency in hand	**2,392,394**	3,148,544	**2,442,708**	3,189,252
Foreign currency in hand	**188,196**	158,685	**188,196**	158,685
Balances with local banks	**9,581**	22,184	**259,024**	578,698
Balances with foreign banks	**1,021,781**	406,745	**1,021,781**	406,745
Total	**3,611,952**	3,736,158	**3,911,709**	4,333,380

22. BALANCES WITH CENTRAL BANK OF SRI LANKA

ACCOUNTING POLICY

Balances with the Central Bank of Sri Lanka include the cash balance that is required as per the provisions of Sections 93 and 94 of the Monetary Law Act. As at 31 December 2025, the minimum statutory reserve requirement on rupee deposit liabilities was 2% (2024: 2%). There is no reserve requirement for the foreign currency deposit liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Foreign Currency Banking Unit (FCBU).

Balance with Central Bank of Sri Lanka are carried at amortised cost in the Statement of Financial Position.

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Statutory balances with Central Bank of Sri Lanka	**807,025**	375,596	**807,025**	375,596

23. PLACEMENTS WITH BANKS

ACCOUNTING POLICY

Placements with Banks include money at call and short notice that are subject to an insignificant risk of change in the fair value and are used by the Group in the management of its short term commitments. These are brought to the financial statements at the face values or gross values where appropriate.

Placements with Banks are carried at amortised cost in the statement of financial position.

		BANK		GROUP	
As at 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Placements within Sri Lanka		**355,323**		**355,323**	
Placements outside Sri Lanka		**1,510,583**	1,135,072	**1,510,583**	1,135,072
Total	23.1	**1,865,906**	1,135,072	**1,865,906**	1,135,072

Notes to the Financial Statements

23. PLACEMENTS WITH BANKS (CONTD.)

23.1 The below table shows the stage wise classification of placements

BANK & GROUP

	2025			
As at 31 December	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Placements within Sri Lanka	**355,323**			**355,323**
Placements outside Sri Lanka	**1,510,583**	**-**	**-**	**1,510,583**
	1,865,906	**-**	**-**	**1,865,906**

	2024			
As at 31 December	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Placements outside Sri Lanka	1,135,072	-	-	1,135,072
Total	1,135,072	-	-	1,135,072

24. REVERSE REPURCHASE AGREEMENTS

ACCOUNTING POLICY

Securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "Reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The accounting policies pertaining to "Reversed Repurchased Agreements" are given in Note 4.5.1 to the Financial Statements.

		BANK		GROUP	
As at 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Due from Banks		**370,074**	-	**370,074**	-
Due from Customers		**-**	562,470	**-**	562,470
Total	24.1	**370,074**	562,470	**370,074**	562,470

24.1 The below table shows the stage wise classification of reverse repurchased agreements;

	BANK & GROUP							
As at 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Placements	**370,074**	**-**	**-**	**370,074**	562,470	-	-	562,470
Total	**370,074**	**-**	**-**	**370,074**	562,470	-	-	562,470

25. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY
The accounting policy pertaining to "Derivative Financial Instruments" are given in Note 4.5.2 to these financial statements.

BANK & GROUP

	2025		2024	
As at 31 December	**Assets LKR '000**	**Liabilities LKR '000**	**Assets LKR '000**	**Liabilities LKR '000**
Forward foreign exchange contracts				
- Sales	**151**	**-**	-	-
- Purchases	**2,836**	**2,499**	2,309	12,112
Currency SWAPs				
- Purchases	**98,367**	**3,221**	42,120	10,050
Total	**101,354**	**5,720**	44,429	22,162

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY
The accounting policies relating to "Financial Assets recorded at FVPL" are given in Note 4.5.4 to these financial statements.

		BANK		GROUP	
As at 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Sri Lanka Government securities	26.1	**4,884,546**	4,384,380	**4,884,546**	4,384,380
Investment in units	26.2	**1,243,333**	500,129	**1,360,880**	610,457
Total		**6,127,879**	4,884,509	**6,245,426**	4,994,837

26.1 Sri Lanka Government securities

BANK & GROUP

	2025		2024	
Year of Maturity	**Cost of Investment LKR '000**	**Fair Value LKR '000**	**Cost of Investment LKR '000**	**Fair Value LKR '000**
2025	**-**	**-**	1,958,823	1,967,050
2026	**2,423,790**	**2,431,020**	305,626	324,788
2027	**668,203**	**712,541**	655,987	719,204
2028	**1,093,708**	**1,150,547**	814,133	865,940
2029	**559,294**	**590,438**	477,718	507,398
Total	**4,744,995**	**4,884,546**	4,212,287	4,384,380

Notes to the Financial Statements

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTD.)

26.2 Investment in Units

	BANK					
	2025			2024		
	No of units '000	Cost LKR '000	Market Value LKR '000	No of units '000	Cost LKR '000	Market Value LKR '000
CAL Investment Grade Fund	**25,734**	**1,000,000**	**1,000,237**	14,071	500,000	500,129
JB Vantage Value Equity Fund	**3,058**	**209,309**	**243,096**	-	-	-
Total		**1,209,309**	**1,243,333**		500,000	500,129

	GROUP					
	2025			2024		
	No of units '000	Cost LKR '000	Market Value LKR '000	No of units '000	Cost LKR '000	Market Value LKR '000
CAL Investment Grade Fund	**25,734**	**1,000,000**	**1,000,237**	14,071	500,000	500,129
JB Vantage Value Equity Fund	**3,058**	**209,309**	**243,096**	-	-	-
NAMAL Income Fund	**2,585**	**106,355**	**117,547**	2,635	105,254	110,328
Total		**1,315,664**	**1,360,880**		605,254	610,457

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICY
The accounting policies pertaining to financial assets at amortised cost - Loans and advances to customers have been given in Note 4.4 and 4.5.1 to these financial statements.

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Gross loans and receivables	27.1	**118,051,238**	88,264,533	**131,823,425**	97,836,327
Less: Impairment	27.5.1	**(7,264,854)**	(7,061,677)	**(8,161,482)**	(7,951,194)
Net loans and receivables		**110,786,384**	81,202,856	**123,661,943**	89,885,133

27.1. Loans and receivables to customers - By Product

As at 31 December	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Term loans	**75,296,646**	59,204,626	**81,529,832**	63,243,831
Overdrafts	**13,111,146**	9,324,060	**13,111,146**	9,324,060
Trade finance	**12,751,647**	11,157,220	**12,751,647**	11,157,220
Lease and hire purchase	**5,286,575**	1,197,339	**10,229,839**	4,881,083
Factoring	**441,264**	402,501	**668,204**	632,663
Pawning & gold loans	**6,029,849**	2,117,924	**8,356,585**	3,706,909
Credit cards	**3,897,160**	3,818,427	**3,897,160**	3,818,427
Staff loans	**1,236,951**	1,042,436	**1,279,012**	1,072,134
Gross loans and receivables	**118,051,238**	88,264,533	**131,823,425**	97,836,327

27.1.1 Stage-wise classification of gross loans and receivables - By product

BANK

As at 31 December	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Term loans	**55,615,839**	**6,455,766**	**13,225,041**	**75,296,646**	38,559,108	6,030,775	14,614,743	59,204,626
Overdrafts	**11,626,178**	**239,426**	**1,245,542**	**13,111,146**	7,284,861	594,339	1,444,860	9,324,060
Trade finance	**11,439,679**	**299,995**	**1,011,973**	**12,751,647**	9,407,633	871,449	878,138	11,157,220
Lease and hire purchase	**5,026,155**	**181,158**	**79,262**	**5,286,575**	1,093,926	-	103,413	1,197,339
Factoring	**302,746**	**40,947**	**97,571**	**441,264**	251,528	27,380	123,593	402,501
Pawning & gold loans	**6,009,789**	**12,721**	**7,339**	**6,029,849**	2,111,817	2,763	3,344	2,117,924
Credit cards	**3,243,093**	**81,664**	**572,403**	**3,897,160**	3,118,269	114,044	586,114	3,818,427
Staff loans	**1,236,337**	**-**	**614**	**1,236,951**	1,037,447	-	4,989	1,042,436
Total	**94,499,816**	**7,311,677**	**16,239,745**	**118,051,238**	62,864,589	7,640,750	17,759,194	88,264,533

GROUP

As at 31 December	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Term loans	**60,520,652**	**7,170,752**	**13,838,428**	**81,529,832**	41,323,161	6,474,090	15,446,580	63,243,831
Overdrafts	**11,626,178**	**239,426**	**1,245,542**	**13,111,146**	7,284,861	594,339	1,444,860	9,324,060
Trade finance	**11,439,679**	**299,995**	**1,011,973**	**12,751,647**	9,407,633	871,449	878,138	11,157,220
Lease and hire purchase	**8,315,471**	**1,146,973**	**767,395**	**10,229,839**	3,286,530	754,154	840,399	4,881,083
Factoring	**302,746**	**40,947**	**324,511**	**668,204**	251,529	27,380	353,754	632,663
Pawning & gold loans	**8,148,781**	**199,517**	**8,287**	**8,356,585**	3,564,971	131,554	10,384	3,706,909
Credit cards	**3,243,093**	**81,664**	**572,403**	**3,897,160**	3,118,269	114,044	586,114	3,818,427
Staff loans	**1,277,328**	**1,070**	**614**	**1,279,012**	1,064,538	1,921	5,675	1,072,134
Total	**104,873,928**	**9,180,344**	**17,769,153**	**131,823,425**	69,301,492	8,968,931	19,565,904	97,836,327

Notes to the Financial Statements

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.2 Loans and advances to customers - By currency

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Sri Lanka Rupee	**105,717,837**	77,594,427	**119,490,024**	87,166,221
United States Dollar	**12,329,992**	10,662,998	**12,329,992**	10,662,998
Euro	**-**	639	**-**	639
Others	**3,409**	6,469	**3,409**	6,469
Gross loans and receivables	**118,051,238**	88,264,533	**131,823,425**	97,836,327

27.3 Loans and advances to customers - By Industry

BANK	**2025**		**2024**	
As at 31 December	**%**	**LKR '000**	**%**	**LKR '000**
Agriculture * and fishing	**10%**	**11,730,281**	9%	8,331,425
Manufacturing	**12%**	**14,167,466**	14%	12,145,790
Tourism	**7%**	**7,791,434**	8%	7,334,663
Transport	**2%**	**2,542,139**	1%	1,178,117
Construction	**6%**	**7,228,775**	6%	5,447,338
Wholesale and retail trade	**23%**	**27,807,532**	25%	21,919,067
Information technology and communication services	**1%**	**1,766,747**	1%	453,066
Financial and business services	**6%**	**7,279,071**	7%	5,767,999
Infrastructure	**2%**	**1,777,050**	2%	2,041,336
Other services	**11%**	**12,539,119**	10%	8,811,814
Other customers including pawning	**20%**	**23,421,624**	17%	14,833,918
Gross loans and receivables	**100%**	**118,051,238**	100%	88,264,533

* As per the requirement of Central Bank of Sri Lanka (CBSL), a minimum of 10% of the loans and advances shall be granted to the agriculture sector. The Bank has complied with the said requirement as at 31 December 2025 and 31 December 2024. The computation method used to derive the industry-wise exposure given in note 27.3 above is different from the method used for CBSL minimum lending requirement calculation to agriculture sector. Based on CBSL guidelines, the Bank's lending to agriculture sector percentage computes to 10.23% as at 31 December 2025 (2024 - 10.27%).

GROUP	**2025**		**2024**	
As at 31 December	**%**	**LKR '000**	**%**	**LKR '000**
Agriculture and fishing	**10%**	**13,133,281**	9%	8,500,935
Manufacturing	**12%**	**15,673,003**	13%	13,117,657
Tourism	**7%**	**8,808,122**	8%	7,894,469
Transport	**3%**	**4,029,706**	2%	2,076,373
Construction	**6%**	**8,558,466**	6%	6,098,756
Wholesale and retail trade	**22%**	**29,925,612**	24%	23,771,642
Information technology and communication services	**2%**	**2,012,177**	1%	796,058
Financial and business services	**6%**	**7,656,782**	7%	7,103,592
Infrastructure	**1%**	**1,817,133**	2%	2,068,478
Other services	**12%**	**15,448,633**	11%	10,516,370
Other customers including pawning	**19%**	**24,760,510**	16%	15,891,997
Gross loans and receivables	**100%**	**131,823,425**	100%	97,836,327

27.4 Lease and hire purchase receivables

27.4.1 Lease receivable

		BANK		GROUP	
As at 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Total lease rentals receivable		**6,527,035**	1,479,574	**13,115,117**	6,290,165
Unearned lease income		**(1,252,588)**	(294,362)	**(2,897,406)**	(1,421,211)
Gross lease receivable		**5,274,447**	1,185,212	**10,217,711**	4,868,954
Less: Impairment allowance for lease receivable		**(90,889)**	(40,136)	**(530,337)**	(419,097)
Net lease receivables		**5,183,558**	1,145,076	**9,687,374**	4,449,857
				-	-
Gross lease receivable within one year	27.4.1.1	**359,929**	201,363	**2,173,392**	1,815,658
Gross lease receivable from one to five years	27.4.1.2	**4,586,066**	966,611	**7,715,867**	3,036,058
Gross lease receivable after five years	27.4.1.3	**328,452**	17,238	**328,452**	17,238
Total gross lease receivable		**5,274,447**	1,185,212	**10,217,711**	4,868,954

27.4.1.1 Lease receivable within one year

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Total lease receivable within one year	**411,462**	240,262	**2,958,459**	2,378,677
Unearned lease income	**(51,533)**	(38,899)	**(785,067)**	(563,019)
Gross lease receivable	**359,929**	201,363	**2,173,392**	1,815,658
Less: Impairment allowance for lease receivable	**(41,764)**	(32,199)	**(202,627)**	(197,551)
Net lease receivables	**318,165**	169,164	**1,970,765**	1,618,107

27.4.1.2 Lease receivable from one to five years

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Total lease receivable from one to five years	**5,644,603**	1,214,114	**9,685,688**	3,886,290
Unearned lease income	**(1,058,537)**	(247,503)	**(1,969,821)**	(850,232)
Gross lease receivable	**4,586,066**	966,611	**7,715,867**	3,036,058
Less: Impairment allowance for lease receivable	**(45,862)**	(7,800)	**(324,447)**	(221,408)
Net lease receivables	**4,540,204**	958,811	**7,391,420**	2,814,650

27.4.1.3 Lease receivable after five years

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Total lease receivable after five years	**470,970**	25,198	**470,970**	25,198
Unearned lease income	**(142,518)**	(7,960)	**(142,518)**	(7,960)
Gross lease receivable	**328,452**	17,238	**328,452**	17,238
Less: Impairment allowance for lease receivable	**(3,263)**	(138)	**(3,263)**	(138)
Net lease receivables	**325,189**	17,100	**325,189**	17,100

Notes to the Financial Statements

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.4.2 Hire purchase receivables

		BANK		GROUP	
As at 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Total hire purchase receivable		**14,971**	14,971	**14,971**	14,971
Unearned hire purchase income		**(2,843)**	(2,843)	**(2,843)**	(2,843)
Gross hire purchase receivable		**12,128**	12,128	**12,128**	12,128
Less: Impairment allowance for hire purchase receivable		**(12,128)**	(12,128)	**(12,128)**	(12,128)
Net hire purchase receivables		**-**	-	**-**	-
Gross hire purchase receivable within one year	27.4.2.1	**12,128**	12,128	**12,128**	12,128
Total gross hire purchase receivable		**12,128**	12,128	**12,128**	12,128

27.4.2.1 Hire purchase receivable within one year

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Total hire purchase receivable within one year	**14,971**	14,971	**14,971**	14,971
Unearned hire purchase income	**(2,843)**	(2,843)	**(2,843)**	(2,843)
Gross hire purchase receivable	**12,128**	12,128	**12,128**	12,128
Less: Impairment allowance for hire purchase receivable	**(12,128)**	(12,128)	**(12,128)**	(12,128)
Net hire purchase receivables	**-**	-	**-**	-

27.5 Allowance for impairment charges for loans and advances to customers

27.5.1 Stage movements in allowance for impairment

ACCOUNTING POLICY
The accounting policies pertaining to Allowance for impairment charges for loans and advances are given in Note 4.8 to these financial statements.

BANK

	2025				2024			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Opening balance as at 1 January	**873,008**	**503,094**	**5,685,574**	**7,061,676**	454,376	1,124,029	5,357,137	6,935,544
Charge/(reversal) to statement of profit or loss	**481,078**	**(74,962)**	**(74,600)**	**331,516**	418,631	(620,935)	348,696	146,392
Write-offs during the year	**-**	**-**	**(128,338)**	**(128,338)**	-	-	(20,259)	(20,259)
Closing balance as at 31 December	**1,354,086**	**428,132**	**5,482,636**	**7,264,854**	873,007	503,095	5,685,575	7,061,677

GROUP

	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Opening balance as at 1 January	**956,862**	**547,156**	**6,447,178**	**7,951,196**	532,272	1,200,700	6,143,318	7,876,290
Charge/(reversal) to statement of profit or loss	**462,954**	**(48,934)**	**12,398**	**426,418**	424,589	(653,544)	414,366	185,411
Write-offs during the year	**-**	**-**	**(216,132)**	**(216,132)**	-	-	(110,506)	(110,506)
Closing balance as at 31 December	**1,419,816**	**498,222**	**6,243,444**	**8,161,482**	956,860	547,156	6,447,178	7,951,194

27.5.2 Movements in allowance for impairment charges - By product

BANK

	2025							
	Term Loans LKR '000	Overdrafts LKR '000	Trade Finance LKR '000	Lease & Hire Purchases LKR '000	Factoring LKR '000	Credit Cards LKR '000	Others LKR '000	Total LKR '000
Stage 1								
Opening balance as at 1 January	**601,383**	**63,399**	**175,800**	**8,818**	**10,419**	**12,979**	**210**	**873,008**
Charge/(reversal) to statement of profit or loss	**362,070**	**19,786**	**53,415**	**36,067**	**361**	**9,589**	**(210)**	**481,078**
Closing balance as at 31 December	**963,453**	**83,185**	**229,215**	**44,885**	**10,780**	**22,568**	**-**	**1,354,086**
Stage 2								
Opening balance as at 1 January	**453,581**	**13,258**	**12,864**	**-**	**1,565**	**21,826**	**-**	**503,094**
Charge/(reversal) to statement of profit or loss	**(62,419)**	**(1,939)**	**(3,009)**	**5,650**	**267**	**(13,512)**	**-**	**(74,962)**
Closing balance as at 31 December	**391,162**	**11,319**	**9,855**	**5,650**	**1,832**	**8,314**	**-**	**428,132**
Stage 3								
Opening balance as at 1 January	**4,166,767**	**1,049,356**	**60,335**	**43,445**	**101,879**	**263,792**	**-**	**5,685,574**
Charge/(reversal) to statement of profit or loss	**(90,006)**	**(174,103)**	**36,435**	**8,000**	**8,115**	**136,959**	**-**	**(74,600)**
Net write-offs during the year	**(107,506)**	**-**	**-**	**-**	**(20,832)**	**-**	**-**	**(128,338)**
Closing balance as at 31 December	**3,969,255**	**875,253**	**96,770**	**51,445**	**89,162**	**400,751**	**-**	**5,482,636**
Total								
Opening balance as at 1 January	**5,221,731**	**1,126,013**	**248,999**	**52,263**	**113,863**	**298,597**	**210**	**7,061,676**
Charge/(reversal) to statement of profit or loss	**209,645**	**(156,256)**	**86,841**	**49,717**	**8,743**	**133,036**	**(210)**	**331,516**
Net write-offs during the year	**(107,506)**	**-**	**-**	**-**	**(20,832)**	**-**	**-**	**(128,338)**
Closing balance as at 31 December	**5,323,870**	**969,757**	**335,840**	**101,980**	**101,774**	**431,633**	**-**	**7,264,854**

Notes to the Financial Statements

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.5.2 Movements in allowance for impairment charges - By product (contd.)

BANK

	2024							
	Term Loans LKR '000	Overdrafts LKR '000	Trade Finance LKR '000	Lease & Hire Purchases LKR '000	Factoring LKR '000	Credit Cards LKR '000	Others LKR '000	Total LKR '000
Stage 1								
Opening balance as at 1 January	269,806	61,724	99,101	-	1,623	20,894	1,230	454,378
Charge/(reversal) to statement of profit or loss	331,577	1,675	76,699	8,818	8,795	(7,916)	(1,018)	418,630
Closing balance as at 31 December	601,383	63,399	175,800	8,818	10,418	12,979	210	873,007
Stage 2								
Opening balance as at 1 January	994,037	55,877	2,666	20,904	2,672	47,873	-	1,124,029
Charge/(reversal) to statement of profit or loss	(540,456)	(42,619)	10,198	(20,904)	(1,107)	(26,047)	-	(620,935)
Closing balance as at 31 December	453,581	13,258	12,864	-	1,565	21,826	-	503,095
Stage 3								
Opening balance as at 1 January	3,837,367	1,084,481	47,528	49,331	100,369	238,031	30	5,357,137
Charge/(reversal) to statement of profit or loss	349,527	(35,125)	12,807	(5,754)	1,510	25,762	(30)	348,696
Net write-offs during the year	(20,127)	-	-	(132)	-	-	-	(20,259)
Closing balance as at 31 December	4,166,767	1,049,356	60,335	43,445	101,879	263,792	-	5,685,575
Total								
Opening balance as at 1 January	5,101,210	1,202,082	149,295	70,235	104,664	306,798	1,260	6,935,544
Charge/(reversal) to statement of profit or loss	140,648	(76,069)	99,704	(17,840)	9,198	(8,201)	(1,048)	146,392
Net write-offs during the year	(20,127)	-	-	(132)	-	-	-	(20,259)
Closing balance as at 31 December	5,221,731	1,126,013	248,999	52,263	113,863	298,598	210	7,061,677

GROUP

	2025							
	Term Loans LKR '000	Overdrafts LKR '000	Trade Finance LKR '000	Lease & Hire Purchases LKR '000	Factoring LKR '000	Credit Cards LKR '000	Others LKR '000	Total LKR '000
Stage 1								
Opening balance as at 1 January	631,526	63,398	175,800	51,141	10,418	12,978	11,601	956,862
Charge/(reversal) to statement of profit or loss	346,151	19,787	53,415	29,349	361	9,589	4,302	462,954
Closing balance as at 31 December	977,677	83,185	229,215	80,490	10,779	22,567	15,903	1,419,816
Stage 2								
Opening balance as at 1 January	472,435	13,258	12,864	19,153	1,564	21,826	6,056	547,156
Charge/(reversal) to statement of profit or loss	(65,558)	(1,939)	(3,009)	31,234	267	(13,512)	3,583	(48,934)
Closing balance as at 31 December	406,877	11,319	9,855	50,387	1,831	8,314	9,639	498,222
Stage 3								
Opening balance as at 1 January	4,396,290	1,049,355	60,335	360,932	315,951	263,791	524	6,447,178
Charge/(reversal) to statement of profit or loss	(88,774)	(174,103)	36,435	97,796	3,893	136,959	192	12,398
Net write-offs during the year	(146,460)	-	-	(48,173)	(20,832)	-	(667)	(216,132)
Closing balance as at 31 December	4,161,056	875,252	96,770	410,555	299,012	400,750	49	6,243,444
Total								
Opening balance as at 1 January	5,500,251	1,126,011	248,999	431,226	327,933	298,595	18,181	7,951,196
Charge/(reversal) to statement of profit or loss	191,819	(156,255)	86,841	158,379	4,521	133,036	8,077	426,418
Net write-offs during the year	(146,460)	-	-	(48,173)	(20,832)	-	(667)	(216,132)
Closing balance as at 31 December	5,545,610	969,756	335,840	541,432	311,622	431,631	25,591	8,161,482

Notes to the Financial Statements

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.5.2 Movements in allowance for impairment charges - By product (contd.)

GROUP

	2024							
	Term Loans LKR '000	Overdrafts LKR '000	Trade Finance LKR '000	Lease & Hire Purchases LKR '000	Factoring LKR '000	Credit Cards LKR '000	Others LKR '000	Total LKR '000
Stage 1								
Opening balance as at 1 January	303,111	61,724	99,101	32,642	1,623	20,894	13,177	532,272
Charge/(reversal) to statement of profit or loss	328,415	1,674	76,699	18,499	8,795	(7,916)	(1,576)	424,590
Closing balance as at 31 December	631,526	63,398	175,800	51,141	10,418	12,978	11,601	956,860
Stage 2								
Opening balance as at 1 January	1,028,997	55,877	2,666	53,731	3,166	47,873	8,391	1,200,700
Charge/(reversal) to statement of profit or loss	(556,562)	(42,619)	10,198	(34,578)	(1,602)	(26,047)	(2,335)	(653,545)
Closing balance as at 31 December	472,435	13,258	12,864	19,153	1,564	21,826	6,056	547,156
Stage 3								
Opening balance as at 1 January	4,101,878	1,084,480	47,528	374,375	292,523	238,029	4,504	6,143,318
Charge/(reversal) to statement of profit or loss	347,284	(35,125)	12,807	44,049	23,428	25,762	(3,839)	414,366
Net write-offs during the year	(52,872)	-	-	(57,492)	-	-	(141)	(110,505)
Closing balance as at 31 December	4,396,290	1,049,355	60,335	360,932	315,951	263,791	524	6,447,178
Total								
Opening balance as at 1 January	5,433,986	1,202,081	149,295	460,747	297,312	306,796	26,072	7,876,290
Charge/(reversal) to statement of profit or loss	119,137	(76,070)	99,704	27,970	30,621	(8,201)	(7,750)	185,411
Net write-offs during the year	(52,872)	-	-	(57,492)	-	-	(141)	(110,506)
Closing balance as at 31 December	5,500,251	1,126,011	248,999	431,226	327,933	298,594	18,182	7,951,194

28. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

ACCOUNTING POLICY

The accounting policies pertaining to financial assets at amortised cost – debt and other instruments have been given in Note 4.4 and 4.5.1 to these financial statements.

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Sri Lanka Government securities	28.1	16,093,548	22,863,756	16,771,211	23,874,378
Total		16,093,548	22,863,756	16,771,211	23,874,378

28.1 Sri Lanka Government securities

BANK

	2025		2024	
Year of Maturity	Amortised Cost LKR '000	Fair Value LKR '000	Amortised Cost LKR '000	Fair Value LKR '000
2025	-	-	11,668,773	11,709,788
2026	6,616,503	6,646,274	3,484,947	3,515,724
2027	2,867,943	2,904,830	2,884,886	2,885,933
2028	2,970,696	3,252,944	2,903,240	3,192,686
2029	1,617,228	1,654,621	885,508	901,103
2030	1,011,439	1,001,445	228,308	204,453
2031	402,617	357,968	404,370	370,395
2033	401,972	346,783	403,724	363,443
2034	205,150	201,840	-	-
Total	16,093,548	16,366,705	22,863,756	23,143,525

GROUP

	2025		2024	
Year of Maturity	Amortised Cost LKR '000	Fair Value LKR '000	Amortised Cost LKR '000	Fair Value LKR '000
2025	-	-	12,679,395	12,720,410
2026	6,616,503	6,646,274	3,484,947	3,515,724
2027	2,867,943	2,904,830	2,884,886	2,885,933
2028	3,648,359	3,933,635	2,903,240	3,192,686
2029	1,617,228	1,654,621	885,508	901,103
2030	1,011,439	1,001,445	228,308	204,453
2031	402,617	357,968	404,370	370,395
2033	401,972	346,783	403,724	363,443
2034	205,150	201,840	-	-
Total	16,771,211	17,047,396	23,874,378	24,154,147

Notes to the Financial Statements

28. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS (CONTD.)

28.1.1 Reclassification of Debt portfolio

In accordance with the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka on the reclassification of the debt portfolio, the Bank has classified LKR 18,893 Mn of the debt portfolio from Fair Value through Other Comprehensive Income to Amortised Cost category on 30 June 2022 as holding these instruments in the fair value through other comprehensive income category was not commercially viable in the current economic environment. The cumulative losses from these instruments previously recognised in Other Comprehensive Income has been removed from equity and adjusted against the fair value of the financial asset at the reclassification date.

Accordingly, the reclassified assets have been measured at the reclassification date as if they had always been measured at Amortised Cost. The cumulative losses and the fair value as at 31 December 2025 if the assets have continued to be measured at Fair Value through Other Comprehensive Income amounts to LKR 28 Mn and LKR 2,382 Mn respectively.

28.2 Stage-wise classification - debt and other instruments

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Stage 1	**16,093,548**	22,863,756	**16,771,211**	23,874,378
Stage 2	**-**	-	**-**	-
Stage 3	**-**	-	**-**	-
Total	**16,093,548**	22,863,756	**16,771,211**	23,874,378

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

ACCOUNTING POLICY

The accounting policies pertaining to financial assets at fair value through other comprehenive income have been given in Note 4.4 and 4.5.3 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Sri Lanka Government securities	29.1	**23,383,053**	23,319,867	**23,383,053**	23,319,867
Equity securities - Unquoted	29.2	**2,530**	2,530	**37,538**	34,043
Total		**23,385,583**	23,322,397	**23,420,591**	23,353,910

29.1 Sri Lanka Government securities

BANK & GROUP

	2025		2024	
Year of Maturity	**Cost of Investment LKR '000**	**Fair Value LKR '000**	**Cost of Investment LKR '000**	**Fair Value LKR '000**
2025	**-**	**-**	11,048,286	11,101,357
2026	**11,384,323**	**11,394,033**	924,226	956,949
2027	**177,199**	**185,026**	1,278,705	1,326,206
2028	**7,142,273**	**7,362,002**	8,205,582	8,514,944
2029	**2,634,327**	**2,622,867**	1,387,534	1,413,976
2030	**994,902**	**999,593**	-	-
2033	**144,512**	**147,278**	-	-
2034	**466,797**	**464,749**	6,788	6,435
2035	**201,881**	**207,505**	-	-
Total	**23,146,214**	**23,383,053**	22,851,121	23,319,867

29.2 Equity securities - Unquoted investments

BANK

		2025		2024	
As at 31 December	**No. of Shares '000**	**Cost of Investment LKR '000**	**Market Value LKR '000**	**Cost of Investment LKR '000**	**Market Value LKR '000**
Lanka Financial Service Bureau Limited	**200**	**2,000**	**2,000**	2,000	2,000
Lanka Clear Private Limited	**50**	**500**	**500**	500	500
Credit Information Bureau	**0.3**	**30**	**30**	30	30
Total		**2,530**	**2,530**	2,530	2,530
Less: Mark to market adjustment		**-**		-	
Net carrying value		**2,530**		2,530	

GROUP

		2025		2024	
As at 31 December	**No. of Shares '000**	**Cost of Investment LKR '000**	**Market Value LKR '000**	**Cost of Investment LKR '000**	**Market Value LKR '000**
Lanka Financial Service Bureau Limited	**200**	**2,000**	**2,000**	2,000	2,000
Lanka Clear Private Limited	**50**	**500**	**500**	500	500
Credit Information Bureau	**0.3**	**31**	**31**	31	31
Finance House Consortium Private Limited	**20**	**200**	**200**	200	200
CEG Education Holdings	**23**	**34,807**	**34,807**	31,312	31,312
Total		**37,538**	**37,538**	34,043	34,043
Less: Mark to market adjustment		**-**		-	
Net carrying value		**37,538**		34,043	

Unquoted equity securities categories under financial assets at fair value through other comprehensive income are recorded at cost since it is the most reasonable value available to represent the market value of these investments as at the reporting date.

Notes to the Financial Statements

30. CURRENT TAX ASSETS /LIABILITIES

ACCOUNTING POLICY
The accounting policies pertaining to current tax assets/liabilities are given in Note 17 to these financial statements.

		BANK		GROUP	
	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Opening Balance as at 1January		**34,978**	363,738	**36,285**	365,484
Tax Paid and other adjustments		**(230,403)**	(556,129)	**(244,584)**	(559,491)
Charge for the Year	17.1	**685,895**	227,369	**779,651**	229,582
(Over) / Under provision	17.1	**30,000**	-	**30,000**	710
Closing Balance as at 31 December		**520,470**	34,978	**601,352**	36,285

31. INVESTMENTS IN REAL ESTATE

ACCOUNTING POLICY
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as a real estate property and is measured at the lower of cost and net realisable value.
Cost includes;

- Freehold rights for land
- Amounts paid to constructors for developments
- Borrowing costs, planning and design costs, site preparation costs, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale. The cost of real estate property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Land		**-**	-	**877**	3,113
Housing projects		**-**	-	**13,521**	13,521
Other projects		**-**	-	**177,868**	177,868
Total		**-**	-	**192,266**	194,502
Less: write-down	31.1	**-**	-	**(167,308)**	(148,277)
Total Inventories at the lower of cost and NRV		**-**	-	**24,958**	46,225

31.1 Impairment on investments in real estate

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Opening balance as at 1 January	**-**	-	**148,277**	132,675
Impairment charge/ (reversal)	**-**	-	**19,031**	15,602
Closing balance as at 31 December	**-**	-	**167,308**	148,277

32. INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICY

Subsidiaries are entities controlled by the Bank. The Bank "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date, the Group reassesses whether it controls and investee, if there are changes to one or more of the elements of control as mentioned above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The cost of an acquisition is measured at fair value of the consideration including contingent consideration, given on the date of transfer of title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, investments in subsidiaries are recognise using the equity method in separate financial statements of the Bank.

The total assets and liabilities of the subsidiaries at the reporting date are included in the Consolidated Statements of Financial Position. The statement of profit or loss in the separate financial statements reflects the parent's ownership share of the after-tax profits of the subsidiaries. The parent's ownership share in the other comprehensive income of those subsidiaries is presented in the statement of the other comprehensive income. In addition, any change recognised directly in the equity of the subsidiaries is presented in the statement of changes in equity.

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries not owned directly or indirectly by the Bank. The non-controlling interest is presented in the consolidated statement of financial position within equity separately from the equity attributable to the equity holders of the Bank. Non-controlling interests in the profit or loss of the Group is disclosed separately in the consolidated statement of profit or loss.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated when preparing the consolidated financial statements.

The Bank reviews its investment in subsidiaries at each reporting date to assess whether there are any impairment indicators. Impairment if any is calculated as the difference between the recoverable amount of the subsidiaries and its carrying value, and recognises the loss within 'Share of profit of equity accounted investees, net of tax' in the statement of profit or loss.

The financial statements of all subsidiaries in the Group have a common financial year which ends on December 31, except for the UB Finance PLC, whose financial year ends on March 31. The financial statements of the Bank's subsidiaries are prepared using consistent accounting policies.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent (the Bank) in the form of cash dividend or repayment of loans and advances.

The Group did not acquire / dispose of any subsidiaries during the year ended 31 December 2025. All subsidiaries of the Bank have been incorporated in Sri Lanka.

		BANK					
As at 31 December		2025			2024		
Name of the subsidiary	Note	Percentage Holding %	Equity Basis LKR '000	Cost LKR '000	Percentage Holding %	Equity Basis LKR '000	Cost LKR '000
National Asset Management Limited	32.1	**51.0**	**264,149**	**331,500**	51.0	261,802	331,500
UB Finance PLC	32.1	**89.9**	**2,860,295**	**3,023,482**	89.9	2,781,603	3,026,015
Total			**3,124,444**	**3,354,982**		3,043,405	3,357,515

Notes to the Financial Statements

32. INVESTMENTS IN SUBSIDIARIES (CONTD.)

32.1 Movement of equity accounted investee

BANK

As at 31 December	2025		
	UB Finance PLC LKR '000	National Asset Management Limited LKR '000	Total LKR '000
Percentage of ownership interest	89.9%	51.0%	
Balance brought forward	(244,412)	(69,698)	(314,110)
Current year share of profit (net of tax)	81,381	5,271	86,652
Other comprehensive income (net of tax)			
- To be reclassified to profit or loss	3,011	-	3,011
- Not to be reclassified to profit or loss	(3,167)	304	(2,863)
Less: Impairment	-	(3,228)	(3,228)
Total share of equity accounted investees retained profits	(163,187)	(67,351)	(230,538)
Total share of equity accounted investees retained profits	(163,187)	(67,351)	(230,538)
Cost of equity accounted investees	3,023,482	331,500	3,354,982
Total carrying amount of investments in equity accounted investees	2,860,295	264,149	3,124,444

BANK

As at 31 December	2024		
	UB Finance PLC LKR '000	National Asset Management Limited LKR '000	Total LKR '000
Percentage of ownership interest	89.9%	51.0%	
Balance brought forward	(245,679)	(68,786)	(314,465)
Current year share of profit (net of tax)	(4,082)	2,611	(1,471)
- Not to be reclassified to profit or loss	5,347	370	5,717
Less: Impairment	-	(3,893)	(3,893)
Total share of equity accounted investees retained profits	(244,412)	(69,698)	(314,110)
Total share of equity accounted investees retained profits	(244,412)	(69,698)	(314,110)
Cost of equity accounted investees	3,026,015	331,500	3,357,515
Total carrying amount of investments in equity accounted investees	2,781,603	261,802	3,043,405

32.2 Summarised financial information of subsidiaries

BANK

	2025		2024	
	UB Finance PLC LKR '000	National Asset Management Limited LKR '000	UB Finance PLC LKR '000	National Asset Management Limited LKR '000
For the year ended 31 December				
Net operating income	**1,310,129**	**80,415**	918,623	67,302
Less: Operating expenses	**962,887**	**65,625**	761,485	60,002
Profit before taxes	**347,242**	**14,790**	157,139	7,300
Less: Tax expense (including VAT on financial services & SSCL on financial services)	**256,679**	**4,456**	161,677	-
Profit after tax	**90,563**	**10,334**	(4,538)	5,120
Total comprehensive income	**90,389**	**10,930**	1,407	5,845
As at 31 December				
Financial investments at fair value through profit or loss	**-**	**117,547**	-	-
Financial assets at amortised cost - loans and advances to customers	**13,046,259**	**-**	8,979,334	-
Financial assets at amortised cost - debt and other instruments	**677,663**	**-**	1,010,622	-
Financial assets at fair value through other comprehensive income	**35,008**	**-**	31,513	-
Property, plant and equipment and Right of use assets	**576,417**	**9,722**	417,039	13,097
Other assets	**1,800,507**	**31,973**	124,746	22,291
Total assets	**16,135,854**	**159,242**	11,287,631	147,823
Financial liabilities at amortised cost - Due to customers	**7,145,175**	**-**	6,899,508	-
Financial liabilities at amortised cost - Other borrowed funds	**2,711,522**	**-**	407,128	-
Other liabilities	**3,229,706**	**19,705**	501,958	17,909
Total liabilities	**13,086,403**	**19,705**	8,328,568	19,216
Total equity	**3,049,451**	**139,537**	2,959,063	128,607

Notes to the Financial Statements

33. GOODWILL AND INTANGIBLE ASSETS

ACCOUNTING POLICY

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets". An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

(i) Goodwill

The goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortised but tested for impairment.

(ii) Computer Software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses if any. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. The internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditures on software assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Other Intangible Assets

Other intangible assets consist of brand value, asset management and advisory intangible, licenses, and related infrastructure. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets that are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Derecognition of Intangible Assets

The carrying amount of an item of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of an intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Rates of amortisation of computer software is given in Note 14 to these financial statements.

BANK

	2025 Computer Software LKR '000	2024 Computer Software LKR '000
Cost		
Opening balance as at 1 January	**3,034,302**	2,348,133
Additions	**137,318**	686,169
Closing balance as at 31 December	**3,171,620**	3,034,302
Less: Amortisation		
Opening balance as at 1 January	**1,419,114**	1,137,288
Charge for the year	**348,875**	281,826
Closing balance as at 31 December	**1,767,989**	1,419,114
Net book value as at 31 December	**1,403,631**	1,615,188

GROUP

	2025					
	Goodwill LKR '000	Computer Software LKR '000	Brand Value LKR '000	Asset Mgt. & Advisory Intangible LKR '000	Licenses and related Infrastructure LKR '000	Total LKR '000
Cost						
Opening balance as at 1 January	**113,031**	**3,088,026**	**10,169**	**118,947**	**136,001**	**3,466,174**
Additions	**-**	**153,398**	**-**	**-**	**-**	**153,398**
Closing balance as at 31 December	**113,031**	**3,241,424**	**10,169**	**118,947**	**136,001**	**3,619,572**
Less: Amortisation						
Opening balance as at 1 January	**-**	**1,464,047**	**1,441**	**22,468**	**14,738**	**1,502,694**
Charge for the year	**-**	**351,087**	**-**	**-**	**-**	**351,087**
Closing balance as at 31 December	**-**	**1,815,134**	**1,441**	**22,468**	**14,738**	**1,853,781**
Less: Impairment allowance	**-**	**-**	**279**	**24,975**	**-**	**25,254**
Net book value as at 31 December	**113,031**	**1,426,290**	**8,449**	**71,504**	**121,263**	**1,740,537**

Notes to the Financial Statements

33. GOODWILL AND INTANGIBLE ASSETS (CONTD.)

GROUP

	2024					
	Goodwill LKR '000	Computer Software LKR '000	Brand Value LKR '000	Asset Mgt. & Advisory Intangible LKR '000	Licenses and related Infrastructure LKR '000	Total LKR '000
Cost						
Opening balance as at 1 January	113,031	2,401,181	10,169	118,947	136,001	2,779,329
Additions	-	686,845	-	-	-	686,845
Closing balance as at 31 December	113,031	3,088,026	10,169	118,947	136,001	3,466,174
Less: Amortisation						
Opening balance as at 1 January	-	1,180,712	1,441	22,468	14,738	1,219,359
Charge for the year	-	283,335	-	-	-	283,335
Closing balance as at 31 December	-	1,464,047	1,441	22,468	14,738	1,502,694
Less: Impairment allowance	-	-	279	21,747	-	22,026
Net book value as at 31 December	113,031	1,623,979	8,449	74,732	121,263	1,941,454

Impairment testing

Methods used to assess the recoverability of intangible assets;

Intangible Asset	Method Used
Goodwill and Brand value	Free Cash Flow to Equity (FCFE)
Asset management and advisory intangibles	Customer list
Licensing and other infrastructure	Income approach

Assumptions used by the Bank;

BANK

	2025		2024	
	Goodwill and Brand Value	License and relate Infrastructure	Goodwill and Brand Value	License and relate Infrastructure
Period of projected cashflows	**5 years**	**3 years**	5 years	3 years
Discount rate	**9.8%**	**9.0%**	10.8%	10.8%
Terminal growth rate	**1.0%**	**1.0%**	1.0%	1.0%

The calculation of the above are sensitive to discount rates, budgeted income/cash flows, terminal growth rates used to extrapolate cash flows beyond the budgeted period and market rates.

Brand Value, Asset Management and Advisory Intangible and Licenses and related Infrastructure items recognised as intangibles were initially assesed as having indefinite useful life based on characteristics of these assets and the future benefits expected to be derived. These assets are tested for impairment on annual basis or more frequently as and when warranted.

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

ACCOUNTING POLICY
Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one period.

Basis of Recognition
Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with LKAS 16 "Property, plant and equipment".

Measurement
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses if any. Initially, property, plant and equipment are measured at their cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model
The Group applies cost model to property, plant and equipment except for Other (Paintings) and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation Model
The Group applies the revaluation model to the entire class of Other (Paintings). Such assets are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated impairment losses. Other (Paintings) of the Group are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised 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 Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited to the other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation 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.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The cost of day to-day servicing of property, plant and equipment are charged to the statement of profit or loss as incurred.

Derecognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Net other operating income" in the Statement of Profit or Loss in the year the asset is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised at each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Capital Work in Progress
These are expenses of a capital nature directly incurred in the construction of buildings and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

Right of use assets
The accounting policy pertaining to the right of use assets has been given in Note 4.10.1 to these financial statements.

Notes to the Financial Statements

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

BANK

	2025									
	Property, plant and equipment						Right of use assets			
	Leasehold Improvements LKR '000	Computer & Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Other (Paintings) LKR '000	Subtotal LKR '000	Building LKR '000	Motor Vehicles LKR '000	Subtotal LKR '000	Total LKR '000
Cost										
Opening balance as at 1 January	659,080	2,642,266	534,680	-	-	3,836,026	1,748,255	170,948	1,919,203	5,755,229
Additions	37,623	268,579	13,986	64,810	257,550	642,548	184,076	-	184,076	826,624
Disposals	-	(5,967)	-	-	-	(5,967)	(129,294)	(27,732)	(157,026)	(162,993)
Closing balance as at 31 December	696,703	2,904,878	548,666	64,810	257,550	4,472,607	1,803,037	143,216	1,946,253	6,418,860
Less: Accumulated depreciation/ amortisation										
Opening balance as at 1 January	633,846	1,609,991	378,343	-	-	2,622,180	978,387	45,049	1,023,436	3,645,616
Charge for the year	15,634	217,576	28,965	1,940	-	264,115	308,732	34,122	342,854	606,969
Disposals	-	(5,967)	-	-	-	(5,967)	(142,508)	(27,732)	(170,240)	(176,207)
Closing balance as at 31 December	649,480	1,821,600	407,308	1,940	-	2,880,328	1,144,611	51,439	1,196,050	4,076,378
Net book value as at 31 December	47,223	1,083,278	141,358	62,870	257,550	1,592,279	658,426	91,777	750,203	2,342,482

BANK

	2024								
	Property, plant and equipment					Right of use assets			
	Leasehold Improvements LKR '000	Computer & Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Subtotal LKR '000	Building LKR '000	Motor Vehicles LKR '000	Subtotal LKR '000	Total LKR '000
Cost									
Opening balance as at 1 January	657,080	2,047,053	420,879	24,999	3,150,011	1,709,722	100,314	1,810,036	4,960,047
Additions	13,947	625,478	119,496	-	758,921	201,148	98,190	299,338	1,058,259
Disposals	(11,947)	(30,265)	(5,695)	(24,999)	(72,906)	(162,615)	(27,556)	(190,171)	(263,077)
Closing balance as at 31 December	659,080	2,642,266	534,680	-	3,836,026	1,748,255	170,948	1,919,203	5,755,229
Less: Accumulated depreciation/ amortisation									
Opening balance as at 1 January	635,963	1,480,619	354,855	17,688	2,489,125	843,164	42,936	886,099	3,375,224
Charge for the year	9,810	159,637	28,477	7,311	205,235	297,595	29,669	327,264	532,499
Disposals	(11,927)	(30,265)	(4,989)	(24,999)	(72,180)	(162,372)	(27,556)	(189,928)	(262,108)
Closing balance as at 31 December	633,846	1,609,991	378,343	-	2,622,180	978,387	45,049	1,023,436	3,645,616
Net book value as at 31 December	25,234	1,032,275	156,337	-	1,213,846	769,868	125,899	895,767	2,109,613

GROUP

	2025										
	Property, plant and equipment							Right of use assets			
	Land and Buildings LKR '000	Leasehold Improvements LKR '000	Computer & Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Other (Paintings) LKR '000	Subtotal LKR '000	Building LKR '000	Motor Vehicles LKR '000	Subtotal LKR '000	Total LKR '000
Cost											
Opening balance as at 1 January	51,923	779,494	2,750,962	678,499	87,986	-	4,348,864	2,115,776	170,946	2,286,722	6,635,586
Additions	-	54,752	307,013	45,073	145,302	257,550	809,690	272,566	-	272,566	1,082,256
Disposals	-	-	(25,183)	-	(49,707)	-	(74,890)	(129,294)	(27,732)	(157,026)	(231,916)
Transfers/Adjustment	-	(609)	-	(255)	-	-	(864)				(864)
Closing balance as at 31 December	51,923	833,637	3,032,792	723,317	183,581	257,550	5,082,800	2,259,048	143,214	2,402,262	7,485,062
Less: Accumulated depreciation/ amortisation											
Opening balance as at 1 January	12,253	697,099	1,699,450	474,124	48,809	-	2,931,735	1,127,842	45,049	1,172,891	4,104,626
Charge for the year	349	29,559	229,714	42,118	13,043	-	314,783	351,617	34,122	385,739	700,522
Disposals	-	-	(25,112)	-	(30,686)	-	(55,798)	(142,508)	(27,732)	(170,240)	(226,038)
Closing balance as at 31 December	12,602	726,658	1,904,052	516,242	31,166	-	3,190,720	1,336,951	51,439	1,388,390	4,579,110
Net book value as at 31 December	39,321	106,979	1,128,740	207,075	152,415	257,550	1,892,080	922,097	91,775	1,013,872	2,905,952

GROUP

	2024									
	Property, plant and equipment						Right of use assets			
	Land and Buildings LKR '000	Leasehold Improvements LKR '000	Computer & Equipment LKR '000	Furniture & Fittings LKR '000	Motor Vehicles LKR '000	Subtotal LKR '000	Building LKR '000	Motor Vehicles LKR '000	Subtotal LKR '000	Total LKR '000
Cost										
Opening balance as at 1 January	51,923	728,969	2,142,555	543,777	103,804	3,571,028	2,013,065	100,312	2,113,378	5,684,406
Additions	-	62,472	638,672	140,540	21,900	863,584	285,762	98,190	383,952	1,247,536
Disposals	-	(11,947)	(30,265)	(5,818)	(37,718)	(85,748)	(183,051)	(27,556)	(210,607)	(296,355)
Closing balance as at 31 December	51,923	779,494	2,750,962	678,499	87,986	4,348,864	2,115,776	170,946	2,286,722	6,635,586
Less: Accumulated depreciation/ amortisation										
Opening balance as at 1 January	11,259	691,179	1,563,094	438,607	64,806	2,768,945	971,789	42,936	1,014,725	3,783,670
Charge for the year	994	17,847	166,621	40,564	20,083	246,109	336,270	29,669	365,939	612,048
Disposals	-	(11,927)	(30,265)	(5,047)	(36,080)	(83,319)	(180,217)	(27,556)	(207,773)	(291,092)
Closing balance as at 31 December	12,253	697,099	1,699,450	474,124	48,809	2,931,735	1,127,842	45,049	1,172,891	4,104,626
Net book value as at 31 December	39,670	82,395	1,051,512	204,375	39,177	1,417,129	987,934	125,897	1,113,831	2,530,960

Notes to the Financial Statements

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

34.1 Cost of fully depreciated property, plant, equipment and intangible assets

The initial cost of fully depreciated property, plant and equipment as at 31 December, are as follows:

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Leasehold improvements	**621,638**	618,158	**621,638**	661,452
Computer and equipment	**1,180,562**	1,052,769	**1,180,562**	1,082,620
Furniture and fittings	**342,178**	271,294	**342,178**	304,756
Motor vehicles	**-**	-	**-**	1,658
Intangible assets	**271,552**	195,960	**271,552**	218,145
Total	**2,415,930**	2,138,181	**2,415,930**	2,268,631

34.2 Details of Group's land and buildings stated at cost and revaluation model

As at 31 December					2025					
					Cost Model				Revalued Amount	
Independent Valuer	Location	Date of Valuation	Method of Valuation	No. of Buildings	Land LKR '000	Building LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Land LKR '000	Building LKR '000
Mr. D. Jayawardena	Negombo property	15-03-24	Contractor's Method	1	**6,981**	**20,000**	**12,603**	**14,378**	**40,000**	**30,000**
Mr. D. Jayawardena	Battaramulla property	15-03-24	Direct Comparison Method		**9,775**	**-**	**-**	**9,775**	**18,400**	**-**
Mr. D. Jayawardena	Bokundara property	15-03-24	Direct Comparison Method		**15,167**	**-**	**-**	**15,167**	**90,000**	**-**
					31,923	**20,000**	**12,603**	**39,320**	**148,400**	**30,000**

As at 31 December					2024					
					Cost Model				Revalued Amount	
Independent Valuer	Location	Date of Valuation	Method of Valuation	No. of Buildings	Land LKR '000	Building LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Land LKR '000	Building LKR '000
Mr. D. Jayawardena	Negombo property	15-03-24	Contractor's Method	1	6,981	20,000	12,254	15,722	40,000	30,000
Mr. D. Jayawardena	Battaramulla property	15-03-24	Direct Comparison Method		9,775	-	-	9,775	18,400	-
Mr. D. Jayawardena	Bokundara property	15-03-24	Direct Comparison Method		15,167	-	-	15,167	90,000	-
					31,923	20,000	12,254	40,664	148,400	30,000

34.3 Temporarily idle property, plant and equipment - Bank & Group

There were no property, plant and equipment idle from active use as at the reporting date (2024: NIL).

34.4 Property, plant and equipment retired from active use - Bank & Group

There were no property, plant and equipment retired from active use as at the reporting date (2024: NIL).

34. 5 Title restriction on property, plant and equipment – Group

There were no restriction on the title of property, plant and equipment as at the reporting date (2024: NIL).

34.6 Property, plant and equipment pledged as security for liabilities - Bank & Group

There were no items of property, plant and equipment pledged as securities for liabilities (2024: NIL).

34.7 Compensation from third parties for items of property, plant and equipment - Bank & Group

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2024: NIL).

34.8 Fair value assessment of property, plant and equipment - Bank & Group

There are no material differences between the cost and fair value of property, plant and equipment.

35. DEFERRED TAXATION

ACCOUNTING POLICY
The accounting policy pertaining to the deferred tax asset are given in Note 17 to these financial statements.

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Deferred tax asset (Net)	**814,344**	582,376	**863,205**	654,579
Deferred tax assets/ (liabilities) movement				
Opening balance as at 1 January	**582,377**	827,216	**654,579**	975,965
Deferred tax (charged)/reversed to the Statement of Profit or Loss	**157,407**	(129,707)	**134,247**	(203,395)
Deferred tax (charged)/reversed to the Statement of Other Comprehensive Income	**74,560**	(115,132)	**74,379**	(117,991)
Closing balance as at 31 December	**814,344**	582,376	**863,205**	654,579

35.1 Deferred tax asset or liability applicable for Statement of Profit or Loss

	BANK		GROUP	
As at 31 December	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Deferred tax assets				
Carry forward losses	**-**	-	**-**	35,184
Retirement benefit obligation	**73,593**	76,544	**88,319**	91,368
Impairment allowance	**916,213**	762,025	**957,609**	797,516
Share based payments	**18,555**	28,360	**18,555**	28,360
Operating leases	**61,628**	66,671	**150,568**	79,508
Bonus Provision	**-**	**-**	**4,310**	**-**
Total	**1,069,989**	933,600	**1,219,361**	1,031,936
Deferred tax liability				
Accelerated depreciation allowance for tax purposes (Property, plant and equipment)	**(192,431)**	(209,654)	**(204,604)**	(221,729)
Accelerated depreciation allowance for tax purposes (Lease rental receivable)	**(13,989)**	(17,784)	**(93,091)**	(21,094)
Total	**(206,420)**	(227,438)	**(297,695)**	(242,823)

35.2 Deferred tax asset or liability applicable for Statement of Other Comprehensive Income

	BANK		GROUP	
As at 31 December	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Deferred tax assets/ (liabilities)				
Actuarial gains/ (losses) on defined benefit plan liability	**21,826**	16,838	**23,420**	15,482
Gains / (losses) on re-measuring financial assets through OCI	**(71,052)**	(140,624)	**(81,881)**	(150,017)
Total	**(49,226)**	(123,786)	**(58,461)**	(134,535)

Notes to the Financial Statements

36. OTHER ASSETS

ACCOUNTING POLICY
Financial assets included in other assets have been accounted for based on the accounting policy discussed in Note 4.4 to these financial statements.

Other financial assets and other non financial assets included under other assets are summarised below:

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Other financial assets					
Refundable deposits		**24,231**	17,472	**35,381**	26,138
Other debtors		**37,139**	19,021	**38,208**	32,003
Total other financial assets		**61,370**	36,493	**73,589**	58,141
Other non financial assets					
Advances		**711,357**	707,062	**907,774**	774,859
Prepaid expenses		**240,128**	171,090	**326,353**	213,970
Prepaid staff cost	36.1	**312,426**	329,136	**316,828**	341,212
Prepaid lease rental		**2,992**	2,249	**2,992**	2,249
Others*		**470,424**	467,817	**497,138**	471,367
Total other non financial assets		**1,737,327**	1,677,354	**2,051,085**	1,803,657
Total		**1,798,697**	1,713,847	**2,124,674**	1,861,798

*Others consist of stocks such as stationeries, three wheelers, gift stocks and other sundry financial assets.

36.1 Prepaid staff cost

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Balance as at 1 January	**329,136**	462,350	**341,212**	482,413
Add : Adjustments for new grants and settlements	**115,814**	75,648	**118,581**	80,723
Less : Charge to personnel expenses	**(132,524)**	(208,863)	**(142,965)**	(221,924)
Balance as at 31 December	**312,426**	329,136	**316,828**	341,212

37. DUE TO BANKS

ACCOUNTING POLICY
The accounting policy pertaining to due to banks has been given in Note 4.5.6 to these financial statements.

		BANK		GROUP	
As at 31 December	**Note**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Local bank borrowings		**5,339,677**	-	**7,595,531**	219,166
Foreign bank borrowings		**2,345,131**	888,844	**2,345,131**	888,844
Refinance borrowings		**3,559,486**	3,279,900	**3,559,486**	3,279,900
Unfavourable balances with banks		**2,856**	208,091	**89,242**	208,091
Deposits	37.1	**4,802,083**	3,619,858	**4,802,083**	3,619,858
Total		**16,049,233**	7,996,693	**18,391,473**	8,215,859

37.1 Deposits

	BANK & GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**
Demand deposits	**-**	39
Fixed deposits	**212,168**	**-**
Total local currency deposits	**212,168**	39
Fixed deposits	**4,589,915**	3,619,819
Total foreign currency deposits	**4,589,915**	3,619,819
Total Deposits	**4,802,083**	3,619,858

38. REPURCHASED AGREEMENTS

ACCOUNTING POLICY
The accounting policy pertaining to due to banks has been given in Note 4.5.6 to these financial statements.

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Due to banks	**7,510,724**	12,002,666	**7,510,724**	12,002,666
Due to customers	**6,898,525**	1,194,335	**6,898,525**	1,194,335
Total	**14,409,249**	13,197,001	**14,409,249**	13,197,001

Notes to the Financial Statements

39. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO CUSTOMERS

ACCOUNTING POLICY
The accounting policy pertaining to due to customers are given in Note 4.5.6 to these financial statements.

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Total deposits	39.1	**118,801,447**	103,740,584	**124,821,582**	110,629,257

39.1 Due to customers - By product

	BANK		GROUP	
As at 31 December	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Demand deposits	**8,258,707**	7,992,804	**8,257,025**	7,992,288
Savings deposits	**20,753,895**	18,143,616	**19,681,490**	18,141,616
Fixed deposits	**88,511,039**	76,353,838	**95,605,261**	83,245,027
Other deposits	**1,277,806**	1,250,326	**1,277,806**	1,250,326
Total deposits	**118,801,447**	103,740,584	**124,821,582**	110,629,257

39.1.1 Due to customers - Local currency deposits

	BANK		GROUP	
As at 31 December	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Demand deposits	**7,816,706**	7,515,342	**7,815,025**	7,514,826
Savings deposits	**16,577,923**	13,810,697	**15,505,519**	13,808,697
Fixed deposits	**73,793,266**	64,522,114	**80,887,488**	71,413,303
Other deposits	**1,277,806**	1,250,326	**1,277,806**	1,250,326
Total local currency deposits	**99,465,701**	87,098,479	**105,485,838**	93,987,152

39.1.2 Due to customers - Foreign currency deposits

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Demand deposits		**442,001**	477,462	**442,001**	477,462
Savings deposits		**4,175,972**	4,332,919	**4,175,972**	4,332,919
Fixed deposits		**14,717,773**	11,831,724	**14,717,773**	11,831,724
Total foreign currency deposits	39.1.2.1	**19,335,746**	16,642,105	**19,335,746**	16,642,105
Total deposits		**118,801,447**	103,740,584	**124,821,582**	110,629,257

39.1.2.1 Foreign currency deposits - By currency

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
United States Dollar	**17,785,424**	15,587,320	**17,785,424**	15,587,320
Great Britain Pounds	**872,057**	612,357	**872,057**	612,357
Euro	**402,371**	310,171	**402,371**	310,171
Australian Dollar	**170,761**	104,527	**170,761**	104,527
Others	**105,135**	27,730	**105,135**	27,730
Total deposits	**19,335,746**	16,642,105	**19,335,746**	16,642,105

39.2 Due to customers - By province

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Central	**4,708,643**	4,324,053	**4,838,193**	4,504,946
Eastern	**1,614,038**	968,091	**1,620,171**	971,385
North Central	**737,574**	651,028	**757,026**	695,025
North Western	**5,338,527**	5,370,983	**5,347,035**	5,389,607
Northern	**4,169,921**	3,210,121	**4,169,921**	3,210,121
Sabaragamuwa	**1,998,885**	1,934,218	**2,027,299**	1,967,422
Southern	**4,921,837**	4,193,368	**5,082,356**	4,337,372
Uva	**1,228,764**	966,750	**1,228,764**	966,750
Western	**94,083,258**	82,121,972	**99,750,817**	88,586,629
Total deposits	**118,801,447**	103,740,584	**124,821,582**	110,629,257

40. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS

ACCOUNTING POLICY
The accounting policy pertaining to due to banks are given in Note 4.5.6 to these financial statements.

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Borrowings from non banking institutions	**-**	-	**2,711,522**	407,128

Notes to the Financial Statements

41. OTHER LIABILITIES

ACCOUNTING POLICY
Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

		BANK		GROUP	
As at 31 December	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Other financial liabilities					
Other creditors*		**678,985**	544,721	**923,526**	720,932
Lease liability	41.1	**677,517**	830,981	**973,983**	1,076,324
Total other financial liabilities		**1,356,502**	1,375,702	**1,897,509**	1,797,256
Other non financial liabilities					
Accrued expenses		**130,076**	179,483	**171,029**	222,176
Retirement benefit obligation	41.2.2	**318,064**	311,271	**372,462**	356,171
Impairment on contingent liabilities and commitments	46.1.2	**144,902**	120,999	**144,900**	118,936
Other payables**		**576,070**	372,442	**593,175**	383,162
Total other non financial liabilities		**1,169,112**	984,195	**1,281,566**	1,080,445
Total other liabilities		**2,525,614**	2,359,897	**3,179,075**	2,877,701

*Other creditors include amount payable to suppliers and other miscellaneous financial payables.
** Other payables include bonus provision, deferred commission income, deferred bancassurance commissions and other miscellaneous non financial payables.

41.1 Lease liability

The accounting policy relating to "Lease Liability" is given in Note 4.10.1.2 of these Financial Statements.

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 1 January	**830,981**	850,430	**1,076,324**	1,044,340
Additions	**134,733**	230,169	**210,382**	309,644
Accretion of interest	**100,987**	107,358	**138,194**	144,007
Disposal	**(2,580)**	(243)	**(2,580)**	(7,147)
Payments	**(386,604)**	(356,733)	**(448,336)**	(414,519)
As at 31 December	**677,517**	830,981	**973,983**	1,076,324
41.1.1 Maturity analysis of lease liability				
Lease liability within one year	**54,745**	42,152	**80,053**	67,062
Lease liability within one to five years	**421,751**	597,496	**546,930**	672,005
Lease liability more than five years	**201,021**	191,333	**347,000**	337,257
Total	**677,517**	830,981	**973,983**	1,076,324

41.2 Retirement benefit obligation Disclosure 201-3

ACCOUNTING POLICY

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined in LKAS 19 (Employee Benefit).

In compliance with the Gratuity Act No. 12 of 1983 provision is made in the financial statements from the first year of service for gratuity payable to employees who joined to the Bank and the Group.

An actuarial valuation is carried out annually to ascertain the full liability under gratuity.

The gratuity liability is not externally funded.

The Group determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the end of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Bank's and the Group's obligations.

The increase in gratuity liabilities attributable to the service provided by employees during the year ended 31st December 2025 (current service cost) has been recognised in the statement of profit or loss under 'Personnel Expenses' together with the interest cost. The Group recognises the total actuarial gains and losses that arise in calculating the Bank's obligation with respect to the plan in Other Comprehensive Income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age, early withdrawals from service and retirement on medical grounds etc.

41.2.1 Actuarial assumptions used in determining retirement benefit obligation

BANK

Type of assumption	Criteria	Description
Demographic	Mortality table	GA 1983 Mortality table
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement. The same withdrawal rates which were used in the last valuation as at December 31, 2024 to determine the liabilities of the active employees in the gratuity, were used in the actuarial valuation carried out as at December 31, 2025.
	Normal retirement age	A participant is eligible for normal retirement after attainment of age 60 and completion of 5 years of service.
Financial	Rate of discount	Interest rate of 10.8% p.a. (2024 : 12.5% p.a.) has been used to discount future liabilities considering the average payment period..
	Salary increases	A salary increment of 9% p.a. (2024 : 10.5% p.a.) has been used in respect of the active employees.

Expected average future working life of the active participants is 13.9 years (2024 : 14.0 years).

Notes to the Financial Statements

41. OTHER LIABILITIES (CONTD.)

41.2.1 Actuarial assumptions used in determining retirement benefit obligation (contd.)

UB FINANCE PLC

Type of assumption	Criteria	Description
Demographic	Mortality table	A 1967/70 Mortality Table
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement. 31-12-2025 - 31%. (31-12-2024 - 32%).
	Normal retirement age	A participant is eligible for normal retirement after attainment of age 60 and completion of 5 years of service.
Financial	Rate of discount	Interest rate of 9.0% p.a. (2024 : 9.0% p.a.) has been used to discount future liabilities considering the average payment period.
	Salary increases	A salary increment of 7% p.a. (2024 : 7.0% p.a.) has been used in respect of the active employees.

Expected average future working life of the active participants is 2.8 years (2024 : 2.7 years).

NAMAL

Type of assumption	Criteria	Description
Financial	Rate of discount	Interest rate of 11.0% p.a. (2024 : 11.0% p.a.) has been used to discount future liabilities considering the average payment period.
	Salary increases	A salary increment of 7.5% p.a. (2024 : 7.5% p.a.) has been used in respect of the active employees.

41.2.2 The movement of the retirement benefit obligation

		BANK		GROUP	
	Note	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 1 January		**311,270**	348,773	**356,170**	385,394
Charge to profit or loss	41.2.3	**90,613**	97,292	**106,333**	108,507
Charge /(reversal) to other comprehensive income	41.2.4	**16,628**	(26,665)	**20,810**	(26,539)
Contribution made for retirement benefit obligation		**418,511**	419,400	**483,313**	467,362
Payments made during the year		**(100,447)**	(108,129)	**(110,852)**	(111,192)
As at 31 December		**318,064**	311,271	**372,462**	356,171

41.2.3 Net benefit expense (recognised in profit or loss)

	BANK		GROUP	
As at 31 December	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Current service cost	**51,704**	52,161	**63,386**	58,428
Interest cost on benefit obligation	**38,909**	45,131	**42,947**	50,079
Charge to profit or loss	**90,613**	97,292	**106,333**	108,507

41.2.4 Due to assumption change (recognised in OCI statement)

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
(Gains)/losses due to assumption change				
Financial assumptions	**10,157**	(31,884)	**10,157**	(32,722)
Demographic assumptions	**-**	-	**(14)**	964
Experience loss/(gain) arising during the year	**6,471**	5,219	**10,667**	5,219
Total amount recognised for the year	**16,628**	(26,665)	**20,810**	(26,539)

41.2.5 Messers Piyal S. Goonathileke and Associates (Bank) and Messers Actuarial & Management Consultants (Pvt) Limited (UB Finance PLC), firms of professional actuaries, have carried out an independent actuarial valuations of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of defined benefits.

41.2.6 The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

Increase/ (decrease) in discount rate	Increase/ (decrease) in salary increment rate	Sensitivity effect on employment benefit obligation increase/ (decrease) in the liability			
		BANK		GROUP	
%	**%**	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
1%		**(32,236)**	(28,061)	**(33,549)**	(29,420)
(1%)		**29,641**	32,686	**31,038**	34,148
	1%	**28,999**	32,127	**30,633**	33,796
	(1%)	**(32,185)**	(28,062)	**(33,748)**	(29,642)

41.2.7 The expected benefit payout in the future years for retirement benefit obligation

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Within 12 months	**13,326**	13,302	**25,281**	25,256
Between 1 and 5 years	**155,549**	149,368	**180,367**	174,186
More than 5 years	**486,844**	493,337	**491,585**	498,078

Notes to the Financial Statements

42. STATED CAPITAL

	BANK		GROUP	
As at 31 December	2025	2024	2025	2024
Ordinary shares				
Value (LKR '000)	**16,334,782**	16,334,782	**16,334,782**	16,334,782
Number of shares - ('000)	**1,083,558**	1,083,558	**1,083,558**	1,083,558

42.1 Share warrants

	BANK		GROUP	
As at 31 December	2025	2024	2025	2024
Share warrants (LKR '000)	**65,484**	65,484	**65,484**	**65,484**

The Bank had issued 218,281,250 warrants to be exercised within a period of 6 years at a price of LKR 16 per warrant. Given the Bank does not have an immediate need for new capital, with the request of Culture Financial Holdings, the Board of Directors of the Bank decided to extend the exercise period of the warrants until 31 March 2025 and revise the exercise price to a price that is equivalent to the average closing price per share for the five day period that immediately precedes the exercise of warrants. The Bank has obtained the concurrence of the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka for the extension of the warrants' exercise period and the revision to the exercise price, as described above.

As at 31st December 2025, with the profit recorded for the year, the minimum capital requirement of LKR20 Bn was complied with. Hence outstanding warrants are deemed to have lapsed without been exercised.

43. RESERVES

43.1 Statutory reserve fund

Union Bank of Colombo PLC

The statutory reserve fund is maintained as per the requirements under section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred to elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of said reserve fund is equal to the stated capital of the Bank. The balance in the statutory reserve fund will be used only for the purposes specified in the section 20 (2) of the Banking Act No. 30 of 1988.

UB Finance PLC

5% of the profits after tax is transferred to the reserve fund as required by the section 3b (i) of the Central Bank Direction No. 01 of 2003 applicable to licensed finance companies.

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 1 January	**292,152**	277,142	**319,758**	304,748
Transferred from retained earnings	**32,735**	15,010	**34,734**	15,010
As at 31 December	**324,887**	292,152	**354,492**	319,758

43.2 Fair value through OCI reserve

The fair value through other comprehensive income reserve (FVOCI) comprises the cumulative net change in fair value of financial assets measures at FVOCI until such investments are dereognised and impaired.

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 1 January	**333,875**	83,899	**346,111**	96,135
Debt instruments at fair value through other comprehensive income				
Net change in fair value during the year	**15,604**	453,617	**19,904**	453,617
Reclassification to the income statement	**(247,510)**	(96,509)	**(247,510)**	(96,509)
Deferred tax effect	**69,572**	(107,132)	**68,282**	(107,132)
Share of other comprehensive income of equity accounted investees, net of tax	**3,011**	-	**-**	-
As at 31 December	**174,552**	333,875	**186,787**	346,111

43.3 Retained earnings

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 1 January	**2,771,202**	2,461,628	**2,537,465**	2,203,461
Net profit for the year	**654,694**	300,202	**644,725**	297,673
Other comprehensive income	**(14,503)**	24,382	**(14,500)**	24,382
Transfers during the year	**10,472**	(15,010)	**8,473**	(15,010)
Regulatory Loss Allowance Reserve	**-**	-	**162,986**	26,959
As at 31 December	**3,421,865**	2,771,202	**3,339,149**	2,537,465

43.4 Regulatory loss allowance reserve

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
As at 1 January	**-**	-	**201,688**	228,647
Transferred from retained earnings	**-**	-	**(162,986)**	(26,959)
As at 31 December	**-**	-	**38,702**	201,688

As per Section 7.1.3 of Finance Business Act Direction No.01 of 2020, where the loss allowance for expected credit loss falls below the regulatory provision, company shall maintain the additional loss allowance in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of its retained earnings. In compliance with the requirement, the Company has transferred additional loss allowance from retained earnings.

Notes to the Financial Statements

44. EMPLOYEE SHARE OPTION PLAN (ESOP)

ACCOUNTING POLICY

On 1 December 2015, the Bank established three share option plans that entitle employees to purchase shares of the Bank. The first scheme of employee share grants was issued to employees at the grade of Senior Vice President and above. The ESOP grant provides employees with an option to purchase shares of the Bank at the given exercise price once these vest as per the rules of the plan. Share options vest in two ways. 50% of the share options vest based on time ratably over a 5-year period. The balance 50% of options vest annually over a 5-year period provided that the Bank achieves the pre-set performance targets. Thereby ensuring that these long-term incentives are linked to the Bank's performance.

By 1 December 2020, options attached to the first tranche completed the vesting period and based on pre agreed targets reserve has been adjusted.

The option holders are entitled to exercise the options vested on or before the 17th of June 2025.

The second tranche of the employee share grants was issued to eligible Key Management Personnel of the Bank effective 1 April 2021. This ESOP grant provides employees with an option to purchase shares of the Bank at the given exercise price once these vest as per the rules of the plan. Share options vest based on time ratably over a 5-year period. If an employee leaves the Bank, before the service criteria is met, they will not be entitled to claim this benefit.

The fair value of equity settled share-based payment awards granted to employees from the grant date is recognised as an expense under personnel expenses, with a corresponding increase in equity, over the period in which the service and performance conditions are fulfilled. The fair value is determined using a Black-scholes model.

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest because of service conditions have not been met.

When the terms of an equity settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense measured as at the date of modification is recognised for any modification that increases the total fair value of the share based payment transaction or is otherwise beneficial to the employee. Where an award is canceled by the Bank, any remaining element of the fair value of the award is expensed immediately through profit or loss.

44.1 Inputs and assumptions used to determine the fair value of share option plan are given below:

	Scheme 01		Scheme 02	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Fair value at measurement date (LKR '000)	-	23,500	-	19,362
Exercise price (LKR)	-	21.9	-	15.7
Expected volatility	-	30.1%	-	41.7%
Option life (remaining expected weighted average life)	-	5 Years	-	5 Years
Risk free interest rate (based on Government bonds)	-	5.0%	-	5.2%

Total expense arising from employee share option plan transactions are recorded in Note 44.3 to the financial statements.

The Expected volatility is based on historical average share price volatility and implied volatility derived from traded options over the Bank's ordinary shares of similar to those employees options. Historical volatility for scheme 01 was determined from 2016 and for scheme two from 2019.

44.2 Movement in weighted average exercise prices and share options during the year is given below;

	Scheme 01			
	2025		2024	
	Number of Options '000	**Weighted Average Exercise Price LKR**	**Number of Options '000**	**Weighted Average Exercise Price LKR**
Outstanding as at 1 January	**4,765**	**21.95**	4,765	21.95
Granted during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	-	-
Expired during the year	**(4,765)**	**-**	-	-
Outstanding as at 31 December	**-**	**-**	4,765	21.95

	Scheme 02			
	2025		2024	
	Number of Options '000	**Weighted Average Exercise Price LKR**	**Number of Options '000**	**Weighted Average Exercise Price LKR**
Outstanding as at 1 January	**9,055**	**16**	4,528	15.70
Granted during the year	**9,055**	**16**	4,528	15.70
Exercised during the year	**-**	**-**	-	-
Expired during the year	**(18,110)**	**-**	-	-
Outstanding as at 31 December	**-**	**-**	9,056	15.70

Notes to the Financial Statements

44. EMPLOYEE SHARE OPTION PLAN (ESOP) (CONTD.)

44.3 Movement during the year

BANK & GROUP	Scheme 01		Scheme 02		Total	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Balance as at 1 January	**23,500**	23,500	**19,363**	17,591	**42,863**	41,091
Transfer to stated capital	**(23,500)**	-	**(19,707)**	-	**(43,207)**	-
Charge to profit or loss	**-**	-	**344**	1,772	**344**	1,772
Balance as at 31 December	**-**	23,500	**-**	19,363	**-**	42,863

45. NON - CONTROLLING INTEREST (NCI)

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Accordingly, the Bank has non-controlling interest in two subsidiaries, namely, UB Finance PLC and National Asset Management Limited as at the reporting date.

	2025		
	UB Finance PLC LKR '000	National Asset Management Limited LKR '000	Total LKR '000
% of Ownership interest held by NCI	**10.1%**	**49.0%**	
Balance as at 1 January	**297,652**	**63,025**	**360,677**
Profit for the year	**9,181**	**5,064**	**14,245**
Other comprehensive income, net of tax	**(18)**	**292**	**274**
Balance as at 31 December	**306,815**	**68,381**	**375,196**

	2024		
	UB Finance PLC LKR '000	National Asset Management Limited LKR '000	Total LKR '000
% of Ownership interest held by NCI	10.1%	49.0%	
Balance as at 1 January	271,934	60,161	332,095
Profit for the year	(456)	2,509	2,053
Other comprehensive income, net of tax	598	355	953
Change in control	25,576	-	25,576
Balance as at 31 December	297,652	63,025	360,677

46. CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured in accordance with the Sri Lanka Accounting Standard – LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and acceptance commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. They carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank too form part of contingent liabilities and commitments of the Bank. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. However, these contingent liabilities do contain credit risk and therefore form part of the overall risk of the Group. No material losses are anticipated as a result of these transactions.

46.1 Contingent liabilities and Commitments

	BANK		GROUP	
As at 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Commitments				
Undrawn loan commitments	**14,480,783**	10,202,492	**14,480,783**	10,077,492
Contingencies				
Guarantees	**11,194,504**	9,576,379	**11,194,504**	9,576,379
Documentary credit	**3,779,930**	3,638,804	**3,779,930**	3,638,804
Forward contracts	**11,958,122**	10,290,065	**11,958,122**	10,290,065
Spot contracts	**931,098**	54,689	**931,098**	54,689
Acceptances	**3,405,935**	2,107,374	**3,405,935**	2,107,374
Forward bonds	**824,876**	216,302	**824,876**	216,302
Forward borrowing	**22,000**	-	**22,000**	-
Other contingent items	**1,271,633**	1,309,051	**1,271,633**	1,309,051
Total contingencies	**33,388,098**	27,192,664	**33,388,098**	27,192,664
Total contingent liabilities and commitments	**47,868,881**	37,395,156	**47,868,881**	37,270,156

46.1.1 Stage movements in contingent liabilities and commitments

BANK

As at 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Undrawn loan commitments	**14,460,695**	**20,088**	**-**	**14,480,783**	10,192,022	10,470	-	10,202,492
Other contingencies	**33,388,098**	**-**	**-**	**33,388,098**	26,927,278	108,755	156,631	27,192,664
Total	**47,848,793**	**20,088**	**-**	**47,868,881**	37,119,300	119,225	156,631	37,395,156

GROUP

As at 31 December	**2025**				**2024**			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Undrawn loan commitments	**14,460,695**	**20,088**	**-**	**14,480,783**	10,067,022	10,470	-	10,077,492
Other contingencies	**33,388,098**	**-**	**-**	**33,388,098**	26,927,278	108,755	156,631	27,192,664
Total	**47,848,793**	**20,088**	**-**	**47,868,881**	36,994,300	119,225	156,631	37,270,156

Notes to the Financial Statements

46. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

46.1.2 Stage movements in allowance for impairment

BANK

	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Undrawn loan commitments								
Opening balance as at 1 January	**78,986**	**1,370**	**-**	**80,356**	79,001	25,868	-	104,869
Charge to statement of profit or loss	**22,390**	**(328)**	**-**	**22,062**	(15)	(24,498)	-	(24,513)
Closing balance as at 31 December	**101,376**	**78,986**	**-**	**102,418**	78,986	1,370	-	80,355
Other contingencies								
Opening balance as at 1 January	**39,686**	**194**	**764**	**40,644**	22,582	784	1,149	24,515
Charge to statement of profit or loss	**2,799**	**(194)**	**(764)**	**1,841**	17,104	(590)	(385)	16,129
Closing balance as at 31 December	**42,485**	**-**	**-**	**42,485**	39,686	194	764	40,644
Total								
Opening balance as at 1 January	**118,672**	**1,563**	**764**	**120,999**	101,583	26,652	1,149	129,384
Charge to statement of profit or loss	**25,189**	**(522)**	**(764)**	**23,903**	17,089	(25,088)	(385)	(8,384)
Closing balance as at 31 December	**143,861**	**1,041**	**-**	**144,902**	118,672	1,563	764	120,999

GROUP

	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Undrawn loan commitments								
Opening balance as at 1 January	**76,922**	**1,370**	**-**	**78,292**	73,299	29,367	14,596	117,262
Charge to statement of profit or loss	**24,452**	**(328)**	**-**	**24,124**	3,623	(27,997)	(14,596)	(38,970)
Closing balance as at 31 December	**101,374**	**1,042**	**-**	**102,416**	76,922	1,370	-	78,292
Other contingencies								
Opening balance as at 1 January	**39,686**	**194**	**764**	**40,644**	22,583	784	1,149	24,516
Charge to statement of profit or loss	**2,799**	**(194)**	**(764)**	**1,841**	17,104	(590)	(385)	16,129
Closing balance as at 31 December	**42,485**	**-**	**-**	**42,485**	39,686	194	764	40,644
Total								
Opening balance as at 1 January	**116,608**	**1,563**	**764**	**118,935**	95,881	30,151	15,745	141,777
Charge to statement of profit or loss	**27,251**	**(522)**	**(764)**	**25,965**	20,727	(28,587)	(14,981)	(22,841)
Closing balance as at 31 December	**143,859**	**1,041**	**-**	**144,900**	116,608	1,563	764	118,936

46.2 Capital commitments

As at 31 December	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Approved and contracted for				
Capital commitments for new system implementation and others (Intangibles)	**286,608**	252,063	**286,608**	252,063
Total	**286,608**	252,063	**286,608**	252,063
Approved but not contracted for				
Capital commitments for new system implementation and others (Intangibles)	**14,540**	10,831	**14,540**	10,831
Total	**14,540**	10,831	**14,540**	10,831
Total capital commitments	**301,148**	262,894	**301,148**	262,894

46.3 Litigations against the Bank and the Group

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has established and legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Bank makes adjustments to account for any adverse effect which the claims may have on its financial standing. The Bank is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or the future operations of the Bank.

46.3.1 BANK

Legal Status	Case No.
a. Cases filed against the Bank	
District Courts	44/25/DSP, 45/25/DSP, 46/25/DSP, 1748/T, 1749/T, 28/SPL, 6186/T
Commercial High Courts	09/25/CO
High Courts of Civil Appeal	SP/HCCA/GAL/76/2024(F), WP/HCCA/COL/93/2024 (F), WP/HCCA/COL/115/2025 LA, WP/HCCA/COL/22/2025 LA, HC/SPL/25/2024, WP/HCCA/COL/194/25 LA
Court of Appeal	CA /Writ/ 841/25, CA /Writ/ 947/25, CA/Writ/1017/2025
b. Cases filed By the Bank	
LT Appeal-High Court Embilipitiya	LTA02/2024
District Courts - Colombo	05/25/DMB, 22/25/DMB, 27/25/DMB, 29/25/DMB, 36/25/DMB, 91/25/DMB, 111/25/DMB, 149/25/DMB, 202/25/DMB, 203/25/DMB, 228/25/DMB, 275/25/DMB, 276/25/DMB
	65/25/SCM, 1361/25/SCM
	160/25/DMR, 1036/25/DMR
	402/25/DSP

Notes to the Financial Statements

46. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

46.3.2 UB Finance PLC

Legal Status	Case No.
Cases filed against the Company over the repossession of vehicles and loan facilities in Distrcit court colombo	
- Distric Court - Colombo	DSP/0222/10, DMR 925/17, DMR 3085/22
- Commercial High Court of Civil Appellate - Colombo	WP/HCCA/COL/101/19(F)
- Distric Court - Kandy	DMR/830/20
- Distric Court - Homagama	21096/MR
- Distric Court - Elpitiya	1966-M
- Distric Court - Galle	SP 4034
- Distric Court - Mathara	SP 1305
- Distric Court - Gampaha	SPL 19/2023
- Distric Court - Gampaha	SPL 120/2022
Actions filed against the Company regarding Joint Venture Projects over the construction matters, advance payments, possession of project properties and unpaid bills.	
- High Court - Civil - Colombo	HC/CIVIL/177/10
- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019
- Distric Court - Colombo	DMR/1615/17, DLM/000148/2017
- Distric Court - Kaduwela	L/533/15,
- Distric Court - Negombo	8164/L, SPL 3579/17
Cases filed against the Company over the Fixed Deposit matters and Unpaid Deposits.	
- Distric Court - Colombo	DTS/279/08 ,
- Commercial High Court of Civil Appellate - Colombo	WP/HACCA/COL/LA/77/18 ,
- Commercial High Court - Colombo	CHC/503/15MR , CHC/533/15MR , CHC/535/15MR , CHC/536/15MR
- Supreme Court - Colombo	SC/HCCA/LA/NO139/2020, SC/Appeal/53/23
Actions filed against the Company with respect to mortgaged property, court orders, title of property.	
- Distric Court - Panadura	2121/P
- Distric Court - Attanagalla	1547/L, 1558/20L
- Distric Court - Kurunegala	9369/23 L
Cases Filed Against the Company by the employees	
- Magistrate Court - Fort	LB 76305
- Court of Appeal - Fort	CA(Writ) 315/2011
- Supreme Court - Colombo	SC/App/26/2014
- Labiur Commissioner	CE/D6/04/61/2016

47. ASSET PLEDGED

BANK

As at 31 December	Note	2025 Encumbered Pledged as collateral LKR '000	2025 Encumbered Other LKR '000	2025 Unencumbered Available as collateral LKR '000	2025 Unencumbered Other LKR '000	2025 Total LKR'000
Cash and cash equivalents	21	-	-	3,611,952	-	3,611,952
Balances with Central Bank of Sri Lanka	22	-	807,025	-	-	807,025
Placements with banks	23	-	-	1,865,906	-	1,865,906
Reverse repurchase agreements	24	-	-	370,074	-	370,074
Derivative financial instruments	25	-	-	101,354	-	101,354
Financial assets at fair value through profit or loss	26	2,184,000	-	3,943,879	-	6,127,879
Financial assets at amortised cost - loans and advances to customers	27	-	-	110,786,384	-	110,786,384
Financial assets at amortised cost - debt and other instruments	28	4,178,095	-	11,915,453	-	16,093,548
Financial assets at fair value through other comprehensive income	29	9,378,000	-	14,007,583	-	23,385,583
Total		15,740,095	807,025	146,602,585	-	163,149,705

As at 31 December	Note	2024 Encumbered Pledged as collateral LKR '000	2024 Encumbered Other LKR '000	2024 Unencumbered Available as collateral LKR '000	2024 Unencumbered Other LKR '000	2024 Total LKR'000
Cash and cash equivalents	21	-	-	3,736,158	-	3,736,158
Balances with Central Bank of Sri Lanka	22	-	375,596	-	-	375,596
Placements with banks	23	-	-	1,135,072	-	1,135,072
Reverse repurchase agreements	24	-	-	562,470	-	562,470
Derivative financial instruments	25	-	-	44,429	-	44,429
Financial assets at fair value through profit or loss	26	948,000	-	3,936,509	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	27	-	-	81,202,856	-	81,202,856
Financial assets at amortised cost - debt and other instruments	28	5,809,980	-	17,053,776	-	22,863,756
Financial assets at fair value through other comprehensive income	29	7,401,500	-	15,920,897	-	23,322,397
Total		14,159,480	375,596	123,592,167	-	138,127,243

Notes to the Financial Statements

47. ASSET PLEDGED (CONTD.)

GROUP

As at 31 December	Note	2025 Encumbered Pledged as collateral LKR '000	2025 Encumbered Other LKR '000	2025 Unencumbered Available as collateral LKR '000	2025 Unencumbered Other LKR '000	2025 Total LKR'000
Cash and cash equivalents	21	-	-	3,911,709	-	3,911,709
Balances with Central Bank of Sri Lanka	22	-	807,025	-	-	807,025
Placements with banks	23	-	-	1,865,906	-	1,865,906
Reverse repurchase agreements	24	-	-	370,074	-	370,074
Derivative financial instruments	25	-	-	101,354	-	101,354
Financial assets at fair value through profit or loss	26	948,000	-	5,297,426	-	6,245,426
Financial assets at amortised cost - loans and advances to customers	27	-	-	123,661,943	-	123,661,943
Financial assets at amortised cost - debt and other instruments	28	-	-	16,771,211	-	16,771,211
Financial assets at fair value through other comprehensive income	29	-	-	23,420,591	-	23,420,591
Total		948,000	807,025	175,400,214	-	177,155,239

As at 31 December	Note	2024 Encumbered Pledged as collateral LKR '000	2024 Encumbered Other LKR '000	2024 Unencumbered Available as collateral LKR '000	2024 Unencumbered Other LKR '000	2024 Total LKR'000
Cash and cash equivalents	21	-	-	4,333,380	-	4,333,380
Balances with Central Bank of Sri Lanka	22	-	375,596	-	-	375,596
Placements with banks	23	-	-	1,135,072	-	1,135,072
Reverse repurchase agreements	24	-	-	562,470	-	562,470
Derivative financial instruments	25	-	-	44,429	-	44,429
Financial assets at fair value through profit or loss	26	948,000	-	4,046,837	-	4,994,837
Financial assets at amortised cost - loans and advances to customers	27	1,652,242	-	88,232,891	-	89,885,133
Financial assets at amortised cost - debt and other instruments	28	5,809,980	-	18,064,398	-	23,874,378
Financial assets at fair value through other comprehensive income	29	7,401,500	-	15,952,410	-	23,353,910
Total		15,811,722	375,596	132,371,887	-	148,559,205

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The tables above sets out the availability of the Bank's financial assets to support future funding.

48. RELATED PARTY DISCLOSURES

The Bank carries out transactions in the ordinary course of business on an arm's length basis at market rates with related parties as defined in LKAS 24 -"Related Party Disclosures".

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

48.1 Parent and Ultimate controlling party

The Bank's immediate parent is Culture Financial Holding Limited which is registered in the Cayman Islands. The ultimate parent is CG Corp Panama which is registered in Panama. Neither the immediate nor the ultimate parents publish consolidated financial statements to the public.

48.1.1 Transactions with Culture Finance Holding Limited (Immediate parent)

	BANK	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**
Dividend Paid	**-**	-

48.2 Transactions with Key Management Personnel (KMPs)

As per Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Bank's KMPs include the Board of Directors of the Bank, key employees of the Bank holding directorships in subsidiary companies of the Bank and KMPs of the immediate parent and ultimate parent company.

48.2.1 Compensation of Key Management Personnel

	BANK		GROUP	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**	**2025 LKR '000**	**2024 LKR '000**
Short term employee benefits	**71,907**	99,576	**152,136**	157,931
Post employment benefits	**6,775**	8,268	**16,054**	14,797
Other long term benefits	**1,780**	49,477	**1,780**	49,477
Total	**80,462**	157,321	**169,970**	222,205

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

48.2.2 ESOP granted to KMPs

	BANK	
For the year ended 31 December	**2025 LKR '000**	**2024 LKR '000**
No of Options Outstanding at the beginning of the period	**2,729**	2,729
No of Options Expired during the period	**(2,729)**	-
No of Options Outstanding at the end of the period	**-**	2,729

In addition to the above, the Bank has also provided non-cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Bank.

Notes to the Financial Statements

48. RELATED PARTY DISCLOSURES (CONTD.)

48.3 Transactions, arrangements and agreements involving KMPs and their Close Family Members (CFMs)

CFMs of KMPs are those family members who may be influential over KMPs in their dealing with the entity. They may include KMPs' domestic partner and children, children of KMPs' domestic partner and dependants of the KMP or the KMPs' domestic partner.

48.3.1Transactions with Key Management Personnel and their Close Family MembeLKR of the Bank

The following table provides the aggregate amount of transactions, which have been executed with Key Management Personnel for the financial year.

Items in the Statement of Financial Position

As at 31 December	2025			2024		
	Limit* LKR 000	Closing Balance LKR 000	Average Balance LKR 000	Limit* LKR 000	Closing Balance LKR 000	Average Balance LKR 000
Assets						
Financial assets at amortised cost - loans and advances to Customers	**3,000**	**22,280**	**6,877**	3,500	11,319	12,515
Liability						
Financial liabilities at amortised cost - Due to customers	**-**	**24,921**	**35,596**	-	38,891	22,386

* The above limit relate only to Credit Cards and Overdrafts which has a closing balance of LKR 0.03 Mn as at 31 December 2025 (2024: 0.97 Mn)

All financial assets are settled by way of cash payments. Except for credit cards, all other financial assets are secured.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

Items in the Statement of Profit or Loss

For the year ended 31 December	2025 LKR '000	2024 LKR '000
Interest Income	**375**	566
Interest Expense	**2,754**	1,196

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

48.4 Transactions with other related parties

The following table shows the outstanding balance and the corresponding interest during the year.

48.4.1 Transactions with subsidiaries

Items in the Statement of Financial Position

As at 31 December	2025			2024		
	Limit* LKR 000	Closing Balance LKR 000	Average Balance LKR 000	Limit* LKR 000	Closing Balance LKR 000	Average Balance LKR 000
Assets						
Financial assets at amortised cost - loans and advances to customers	-	172,820	31,591	125,000	300,808	63,848
Liability						
Financial liabilities at amortised cost - Due to customers	-	1,125,040	167,758	-	10,835	79,969

* The above limit relate only to Overdrafts which has a closing Nil balance as at 31 December 2025 (2024 - 0.07 Mn).

All financial assets are settled by way of cash payments. All financial assets are secured.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

Items in the Statement of Profit or Loss

For the year ended 31 December	BANK	
	2025 LKR '000	2024 LKR '000
Interest Income	2,160	1,816
Interest Expense	4,250	2,602
Other Expense	-	113

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

Notes to the Financial Statements

48. RELATED PARTY DISCLOSURES (CONTD.)

48.4.2 Transactions with Other Related Entities

Items in the Statement of Financial Position

As at 31 December	2025			2024		
	Limit* LKR 000	Closing Balance LKR 000	Average Balance LKR 000	Limit* LKR 000	Closing Balance LKR 000	Average Balance LKR 000
Assets						
Financial assets at amortised cost - loans and advances to customers	**202,000**	**190,679**	**189,503**	170,000	218,317	223,050
Liability						
Financial liabilities at amortised cost - Due to customers	**-**	**2,023**	**2,298**	-	1,156	1,370

* The above limit relate only to Overdrafts which has a closing balance of LKR 1.30 Mn as at 31 December 2025. (2024 - 28 Mn).

All financial assets are settled by way of cash payments. All financial assets are secured.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

Items in the Statement of Profit or Loss

	BANK	
For the year ended 31 December	2025 LKR '000	2024 LKR '000
Interest Income	**20,226**	22,265
Interest Expense	**26**	9

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at market rates.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring tranaction(s) does not exceed 10% of Gross Income.

48.4.3 Transactions with the Bank's Private Provident Fund

The Employees' Private Provident Fund of the Bank is managed by a Committee of Trustees appointed by the members. The Bank has contributed a sum of LKR 256 Mn to the Fund for the year ended 31 December 2025 (2024 - LKR 231 Mn). Fund has invested a sum of LKR 1,162 Mn with the Bank as at 31 December 2025 (2024 : 1,095 Mn). During the year, Bank has incurred sum of LKR 10 Mn (2024 : 49 Mn) as interest expense.

49. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities to earn revenues and incur expenses including revenue and expenses that relate to transactions with any of the Group's other components. The operating results of the each of the segment is reviewed regularly by the management to make decisions about the resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Bank has identified four business segments as Corporate Banking, SME, Retail and Treasury.

Management monitors the operating results of its business units separately for the purpose of making decisions about the resource allocation, performance evaluation, etc. Segment performance is evaluated based on operating profits or losses and the customer ROE calculations. Income taxes are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

The following table summarises the income, expenses, total assets, total liabilities and cash flows of the Group's operating segments.

	Corporate		SME		Retail		Treasury		Other		Other Groups		Total	
	2025 LKR'000	2024 LKR'000	2025 LKR'000	2024 LKR'000	2025 LKR'000	2024 LKR'000	2025 LKR'000	2024 LKR'000	2025 LKR'000	2024 LKR'000	2025 LKR'000	2024 LKR'000	2025 LKR'000	2024 LKR'000
Net Interest Income	**998,011**	699,533	**1,256,235**	624,450	**1,733,187**	1,426,070	**387,048**	391,913	**1,246,173**	1,680,127	**1,120,859**	794,452	**6,741,513**	5,616,545
Other Income	**375,577**	326,452	**598,543**	218,979	**699,203**	637,787	**972,192**	850,835	**2,949**	17,107	**384,733**	233,368	**3,033,197**	2,284,528
Total Net Income	**1,373,588**	1,025,985	**1,854,778**	843,429	**2,432,390**	2,063,857	**1,359,240**	1,242,748	**1,249,122**	1,697,234	**1,505,592**	1,027,820	**9,774,710**	7,901,073
Less : Expenses including impairments	**(249,139)**	198,143	**1,128,888**	752,641	**2,594,529**	1,589,353	**134,183**	149,570	**2,840,670**	2,982,343	**1,133,092**	858,920	**7,582,223**	6,530,967
Impairment	**(402,122)**	95,459	**203,559**	58,823	**659,225**	(16,084)	**-**	-	**(98,580)**	7,231	**112,560**	36,635	**474,642**	182,064
Depreciation & amortisation	**884**	834	**1,550**	1,119	**25,472**	23,859	**1,311**	1,046	**926,628**	787,474	**95,764**	81,052	**1,051,609**	895,383
Other expenses	**152,099**	101,850	**923,779**	692,699	**1,909,832**	1,581,578	**132,872**	148,524	**2,012,622**	2,187,638	**924,768**	741,232	**6,055,972**	5,453,521
Segmental Results	**1,622,727**	827,842	**725,890**	90,788	**(162,139)**	474,505	**1,225,057**	1,093,177	**(1,591,548)**	(1,285,109)	**372,500**	168,901	**2,192,487**	1,370,105
Less: VAT and SSCL on Financial Services													**858,187**	636,692
Less: Taxation													**675,330**	433,687
Profit after Taxation													**658,970**	299,726
Additions to property,plant and equipments and right of use assets													**1,082,256**	551,664
additions to intangible assets													**686,845**	35,530
Total additions to non-current assets													**1,769,101**	587,194
Other Information														
Segment Assets	**38,678,189**	38,820,723	**42,196,925**	29,949,469	**35,733,392**	18,574,710	**46,670,248**	49,893,383	**-**	-	**13,876,485**	11,320,924	**177,155,239**	148,559,208
Unallocated	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**7,659,326**	7,035,013
Consolidated Total Assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**184,814,565**	155,594,221
Segment Liabilities	**15,957,902**	12,154,143	**19,381,437**	20,885,776	**82,984,904**	71,824,007	**23,948,872**	14,058,717	**-**	-	**18,066,432**	13,548,765	**160,339,547**	132,471,407
Unallocated	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3,780,426**	2,913,986
Consolidated Total Liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**164,119,973**	135,385,393
Cash flow from operating activities	**(1,537,366)**	(1,603,385)	**(2,075,933)**	(1,318,091)	**(2,722,416)**	(3,225,348)	**(1,521,308)**	(1,942,137)	**(1,398,061)**	(2,652,397)	**(6,337,871)**	(3,433,012)	**(15,592,956)**	(14,174,371)
Cash flow from investing activities	**(77,405)**	(216,991)	**(104,521)**	(178,381)	**(137,071)**	(436,496)	**5,025,134**	6,860,946	**581,566**	1,171,306	**(571,033)**	(54,854)	**4,716,670**	7,145,530
Cash flow from financing activities	**-**	-	**-**	-	**-**	-	**7,008,694**	2,351,543	**-**	-	**4,321,370**	431,003	**11,330,064**	2,782,546

Notes to the Financial Statements

50. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

51. FAIR VALUE OF ASSETS AND LIABILITIES

51.1 Assets and liabilities recorded at fair value

Derivative financial instruments

Derivative products are forward foreign exchange contracts which are valued using a valuation technique with market-observable inputs . The most frequently applied valuation techniques include forward pricing models. The model incorporates various inputs including foreign exchange spot and forward premiums.

Financial assets at fair value through profit or loss

Financial assets held for trading, which primarily consist of Government debt securities, quoted equities and investments in units are measured at fair value.

Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka. For quoted equities and investments in units are valued using market price in active markets as at the reporting date.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income, which primarily consist of quoted and unquoted equities, and investment in units and Government debt securities.

Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka. Investment in units and quoted equities are valued using market prices in the active markets at the reporting date.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 – quoted market price (unadjusted) financial instruments with quoted prices in active markets.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

BANK

As at 31 December	Note	2025 Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,987	-	2,987
- Currency SWAPs	25	-	98,367	-	98,367
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26	4,884,546	-	-	4,884,546
- Investment in units	26	1,243,333	-	-	1,243,333
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29	23,383,053	-	-	23,383,053
- Unquoted equity securities	29	-	-	2,530	2,530
Total financial assets measured at fair value		29,510,931	101,354	2,530	29,614,816
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,499	-	2,499
- Currency SWAPs	25	-	3,221	-	3,221
Total financial liabilities measured at fair value		-	5,720	-	5,720

BANK

As at 31 December	Note	2024 Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets measured at fair value					
Derivative financial instruments	25				
- Forward foreign exchange contracts	25	-	2,309	-	2,309
- Currency SWAPs	25	-	42,120	-	42,120
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26	4,384,380	-	-	4,384,380
- Investment in units	26	500,129	-	-	500,129
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29	23,319,867	-	-	23,319,867
- Unquoted equity securities	29		-	2,530	2,530
Total financial assets measured at fair value		28,204,375	44,429	2,530	28,251,335
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	12,112	-	12,112
- Currency SWAPs	25	-	10,050	-	10,050
Total financial liabilities measured at fair value		-	22,162	-	22,162

Notes to the Financial Statements

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.1 Assets and liabilities recorded at fair value (contd.)

GROUP

As at 31 December	Note	2025 Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,987	-	2,987
- Currency SWAPs	25	-	98,367	-	98,367
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26	4,884,546	-	-	4,884,546
- Investment in units	26	1,360,880	-	-	1,360,880
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29	23,383,053	-	-	23,383,053
- Equity securities - Unquoted	29	-	-	37,538	37,538
Total financial assets measured at fair value		29,628,479	101,354	37,538	29,767,371
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,499	-	2,499
- Currency SWAPs	25	-	3,221	-	3,221
Total financial liabilities measured at fair value		-	5,720	-	5,720

GROUP

As at 31 December	Note	2024 Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,309	-	2,309
- Currency SWAPs	25	-	42,120	-	42,120
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26	4,384,380	-	-	4,384,380
- Investment in units	26	610,457	-	-	610,457
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29	23,319,867	-	-	23,319,867
- Equity securities - Unquoted	29		-	34,043	34,043
Total financial assets measured at fair value		28,314,704	44,429	34,043	28,393,176
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	12,112	-	12,112
- Currency SWAPs	25	-	10,050	-	10,050
Total financial liabilities measured at fair value		-	22,162	-	22,162

51.2 Fair value of financial assets and liabilities not carried at fair value

Financial assets at amortised cost - loans and advances

The financial assets at amortised cost - loans and advances to customers comprise of both fixed rate loans and floating rate loans. Majority of the floating rate loans can be re-priced in a predetermined frequency, while for fixed rate loans, the loan contract allows the Bank to change the contracted rate if there is a material difference between the contracted rate and the market rate. The carrying value of floating rate loans generally approximates the fair value due to the effect of re-pricing while the fair value of loans and receivables to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads.

The estimated fair value of loans and receivables with a residual maturity of more than one year, is the present value of future cash flows expected to be received from such financial assets are calculated based on interest rates at the reporting date for similar types of loans and receivables.

Financial assets at amortised cost - debt and other instruments

Financial assets at amortised cost - debt and other instruments consist of debenture investments, Sri Lanka development bonds and fixed deposits which are subsequently measured at amortised cost. Fair value of these financial assets are valued using discounted cash flow technique. Inputs in to the valuation techniques includes interest rates, repayment period and current market rates.

Financial liabilities at amortised cost - Due to customers

The fair value of customer deposits which are repayable on demand or have a remaining contractual maturity of less than one year, approximates to the carrying value of such deposits. The fair value of customer deposits with a contractual maturity of more than one year, is estimated as the present value of future cash flows expected from such deposits calculated based on interest rates at the reporting date for similar types of deposits. For financial assets and financial liabilities that have short term maturity, it is assumed that carrying amounts approximates their fair value. This assumption is applied for following assets and liabilities which are short-term maturity or re-price to current market rates.

Assets	Liabilities
Cash and cash equivalents	Repurchased agreements
Balances with Central Bank of Sri Lanka	Savings and demand deposits in "Financial liabilities at amortised cost - Due to customers"
Placements with banks	
Reverse repurchased agreements	Other financial liabilities
Other financial assets	

BANK

	2025				
	Fair Value				
As at 31 December	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000
Financial assets					
Financial assets at amortised cost - loans and advances to customers	-	87,285,436	-	87,285,436	118,051,238
Financial assets at amortised cost - debt and other instruments	16,366,705	-	-	16,366,705	16,093,548
Total	16,366,705	87,285,436	-	103,652,141	134,144,786
Financial liabilities					
Due to Banks	-	7,996,693	-	7,996,693	16,049,233
Due to customers	-	77,728,425	-	77,728,425	89,788,845
Total	-	85,725,118	-	85,725,118	105,838,078

Notes to the Financial Statements

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.2 Fair value of financial assets and liabilities not carried at fair value (contd.)

BANK

	2024				
	Fair Value				
As at 31 December	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000
Financial assets					
Financial assets at amortised cost - loans and advances to customers	-	87,285,436	-	87,285,436	88,264,533
Financial assets at amortised cost - debt and other instruments	23,143,525	-	-	23,143,525	22,863,756
Total	23,143,525	87,285,436	-	110,428,961	111,128,289
Financial liabilities					
Due to Banks	-	7,996,693	-	7,996,693	7,996,693
Due to customers	-	77,728,425	-	77,728,425	77,604,164
Total	-	85,725,118	-	85,725,118	85,600,857

GROUP

	2025				
	Fair Value				
As at 31 December	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000
Financial assets					
Financial assets at amortised cost - loans and advances to customers	-	100,445,555	-	100,445,555	131,823,425
Financial assets at amortised cost - debt and other instruments	17,047,396	-	-	17,047,396	16,771,211
Total	17,047,396	100,445,555	-	117,492,951	148,594,636
Financial liabilities					
Due to Banks	-	9,985,456	-	9,985,456	18,391,473
Due to customers	-	85,048,783	-	85,048,783	96,883,067
Other borrowed funds	-	2,326,878	-	2,326,878	2,711,522
Total	-	97,361,117	-	97,361,117	117,986,062

GROUP

	2024				
	Fair Value				
As at 31 December	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000
Financial assets					
Financial assets at amortised cost - loans and advances to customers	-	96,426,592	-	96,426,592	97,836,327
Financial assets at amortised cost - debt and other instruments	24,154,147	-	-	24,154,147	23,874,378
Total	24,154,147	96,426,592	-	120,580,739	121,710,705
Financial liabilities					
Due to Banks	-	8,214,285	-	8,214,285	8,215,859
Due to customers	-	84,824,282	-	84,824,282	84,495,353
Other borrowed funds	-	350,322	-	350,322	407,128
Total	-	93,388,889	-	93,388,889	93,118,340

52. MATURITY ANALYSIS OF ASSET AND LIABILITIES

52.1 BANK

As at 31 December	2025			2024		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	**3,611,952**	**-**	**3,611,952**	3,736,158	-	3,736,158
Balances with Central Bank of Sri Lanka	**261,073**	**545,952**	**807,025**	122,782	252,814	375,596
Placements with banks	**1,865,906**	**-**	**1,865,906**	1,135,072	-	1,135,072
Reverse repurchased agreements	**370,074**	**-**	**370,074**	562,470	-	562,470
Derivative financial instruments	**101,354**	**-**	**101,354**	44,429	-	44,429
Financial assets at fair value through profit or loss	**3,674,354**	**2,453,525**	**6,127,879**	2,467,180	2,417,329	4,884,509
Financial assets at amortised cost - loans and advances to customers	**49,631,469**	**61,154,915**	**110,786,384**	47,282,393	33,920,463	81,202,856
Financial assets at amortised cost - debt and other instruments	**6,616,503**	**9,477,045**	**16,093,548**	11,668,774	11,194,982	22,863,756
Financial assets at fair value through other comprehensive income	**11,394,032**	**11,991,551**	**23,385,583**	11,101,357	12,221,040	23,322,397
Investments in subsidiaries	**-**	**3,124,444**	**3,124,444**	-	3,043,405	3,043,405
Goodwill and intangible assets	**-**	**1,403,631**	**1,403,631**	-	1,615,188	1,615,188
Property, plant and equipment and Right of use assets	**-**	**2,342,482**	**2,342,482**	-	2,109,613	2,109,613
Deferred tax assets	**-**	**814,344**	**814,344**	-	582,376	582,376
Other assets	**906,714**	**891,983**	**1,798,697**	1,699,313	14,534	1,713,847
Total assets	**78,433,431**	**94,199,872**	**172,633,303**	79,819,929	67,371,744	147,191,673
Liabilities						
Due to banks	**7,665,738**	**8,383,495**	**16,049,233**	4,974,089	3,022,603	7,996,693
Derivative financial instruments	**5,720**	**-**	**5,720**	22,162	-	22,162
Repurchased agreements	**14,409,249**	**-**	**14,409,249**	13,197,001	-	13,197,001
Financial liabilities at amortised cost - Due to customers	**27,549,042**	**91,252,405**	**118,801,447**	96,753,769	6,986,815	103,740,584
Current tax liability	**520,470**	**-**	**520,470**	34,978	-	34,978
Other liabilities	**1,807,901**	**717,713**	**2,525,614**	984,823	1,375,074	2,359,897
Total liabilities	**51,958,120**	**100,353,613**	**152,311,733**	115,966,822	11,384,492	127,351,315
Maturity gap	**26,475,311**	**(6,153,741)**	**20,321,570**	(36,146,893)	55,987,249	19,840,358
Cumulative gap	**26,475,311**	**20,321,570**		(36,146,893)	19,840,356	

Notes to the Financial Statements

52. MATURITY ANALYSIS OF ASSET AND LIABILITIES (CONTD.)

52.2 GROUP

As at 31 December	2025			2024		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	**3,911,709**	**-**	**3,911,709**	4,333,380	-	4,333,380
Balances with Central Bank of Sri Lanka	**261,073**	**545,952**	**807,025**	122,782	252,814	375,596
Placements with banks	**1,865,906**	**-**	**1,865,906**	1,135,072	-	1,135,072
Reverse repurchased agreements	**370,074**	**-**	**370,074**	562,470	-	562,470
Derivative financial instruments	**101,354**	**-**	**101,354**	44,429	-	44,429
Financial assets at fair value through profit or loss	**3,791,901**	**2,453,525**	**6,245,426**	1,967,050	3,027,787	4,994,837
Financial assets at amortised cost - loans and advances to customers	**56,213,620**	**67,448,323**	**123,661,943**	59,528,597	30,356,536	89,885,133
Financial assets at amortised cost - debt and other instruments	**6,616,503**	**10,154,708**	**16,771,211**	12,679,396	11,194,982	23,874,378
Financial assets at fair value through other comprehensive income	**11,394,033**	**12,026,558**	**23,420,591**	11,101,357	12,252,553	23,353,910
Investments in real estate	**-**	**24,958**	**24,958**	12,000	34,225	46,225
Goodwill and intangible assets	**-**	**1,740,537**	**1,740,537**	-	1,941,454	1,941,454
Property, plant and equipment and Right of use assets	**-**	**2,905,952**	**2,905,952**	-	2,530,960	2,530,960
Deferred tax assets	**-**	**863,205**	**863,205**	-	654,579	654,579
Other assets	**1,155,219**	**969,455**	**2,124,674**	1,181,861	679,937	1,861,798
Total assets	**85,681,392**	**99,133,173**	**184,814,565**	92,668,394	62,925,827	155,594,221
Liabilities						
Due to banks	**9,011,936**	**9,379,537**	**18,391,473**	5,049,854	3,166,004	8,215,859
Derivative financial instruments	**5,720**	**-**	**5,720**	22,162	-	22,162
Repurchased agreements	**14,409,249**	**-**	**14,409,249**	13,197,001	-	13,197,001
Financial liabilities at amortised cost - Due to customers	**31,742,838**	**93,078,744**	**124,821,582**	92,533,433	9,336,304	110,629,257
Financial liabilities at amortised cost - Other borrowed funds	**1,937,785**	**773,737**	**2,711,522**	91,128	316,000	407,128
Current tax liabilities	**601,352**	**-**	**601,352**	36,285	-	36,285
Other liabilities	**-**	**3,179,075**	**3,179,075**	1,787,223	1,090,478	2,877,701
Total liabilities	**57,708,880**	**106,411,093**	**164,119,973**	112,717,086	22,668,307	135,385,393
Maturity gap	**27,972,512**	**(7,277,920)**	**20,694,592**	(28,808,212)	49,017,038	20,208,828
Cumulative gap	**27,972,512**	**20,694,591**		(28,808,212)	20,208,826	

53. RISK MANAGEMENT

53.1 Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

Effective capital and risk management is fundamental to the business activities of the Bank. It is managed in terms of regulatory capital. The enhanced minimum capital and liquidity requirements are defined under Pillar I of Basel II namely credit, market and operational risk are linked to regulatory capital, whilst other risks under Pillar II namely, concentration risk, reputation risk, strategic risk, compliance risk, interest rate risk in the banking books, credit concentration risk and liquidity risk are linked to internal capital, which both put together is termed as economic capital.

The business risks such as changes in the environment, technology and industry are primarily addressed through the Bank's strategic planning process. Industry specific changes are also reviewed and presented on a need basis by the credit risk management unit and are tabled at the Executive Risk Management Committee.

53.1.1 Risk management structure

The Board of Directors is responsible for the overall capital and risk management approach and for approving the risk management strategies and principles.

A Board appointed supervisory committee called "Integrated Risk Management Committee (IRMC)" has the responsibility to monitor and oversee the overall risk process within the Bank.

The IRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. IRMC is also responsible for managing risks and monitoring risk levels and reports on quarterly basis to the Board.

The Risk Management Department (RMD) is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the IRMC to ensure that procedures are compliant with the overall framework.

The RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Bank. This unit ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.1.2 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Risk Committees. These reports include aggregate credit exposures, credit concentration, operational risk, market risk, liquidity ratios and stress tests. On a quarterly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

All risk related policy/frameworks including a well documented Integrated Risk Management Framework are uploaded in the Bank's Intranet which are being viewed by all staff at all levels for a comprehensive understanding of the Bank's risk appetite and the overall risk management of the Bank.

Briefings are also given to other relevant members of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

53.1.3 Risk mitigation

As part of its overall risk management, the Bank uses various processes and instruments to manage exposures resulting from credit risks, changes in interest rates, foreign currencies, equity risks, and exposures arising from transactions."

The Bank actively uses collateral to reduce its credit risks.

53.1.4 Excessive risk concentration

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines, including concentration limits to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly."

53.1.5 The impact of current economic outlook on the business/operations and risk management of the Bank

The economic situation in the country has shown signs of economic recovery from the latter of year 2023 with the gradual increase in economic activities under low interest rate and singal digit inflationary regime. Despite these changes in the macroeconomic situation in the country, the Bank continued to manage the impairment provision on loans and advances by prudently.

A detailed assessment was carried out for individually significant customers and recognised considerable impairment allowances for customers with the potential risk of default. Key underlying assumptions such as the period of security realisation etc were revised to reflect the deteriorating economic condition.

The Bank revisited the weightages assigned for the multiple economic scenarios under Economic Factor Adjustment (EFA) and further increased the weightage assigned to the worst-case-scenario in the immediate next two years and assumed a gradual decrease thereafter considering the stress in the current macro-economic condition. Further, macro-economic variables such as GDP growth, inflation rate, interest rate, exchange rate etc, used in the EFA model were also revised to reflect the most recent economic data.

The Bank continued to consider Construction as a Risk elevated industry and provide impairment allowances through a case-by-case analysis of such facilities.

53.2 Credit risk

Credit risk is the risk of financial loss for the Bank if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and receivables to customers/other banks and investments in debt securities. In addition to the credit risk from direct funding exposure, the Bank would also be exposed to indirect liabilities such as Letter of credit, guarantees, etc. which would carry credit risk.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counter parties and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Bank uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardised credit approval process is in place including a procedure for credit appraisal and borrower risks rating. Credit authority lies with the Board of Directors, Board Credit Committee, Executive Credit Committee and members of the management as per the assigned limits on delegated credit authority. All credit facilities are required to be reviewed annually. Also Bank's borrower risk rating system forms an integral part of the evaluation of credit proposals and assists the approval authorities to assess the creditworthiness of the borrowers. Bank's systems for credit evaluation and decision making are independent from collateralisation albeit collateral helps to mitigate credit risk.

The Risk Management Department reviews credit facilities before and after sanctioning of facilities. Under pre-sanction evaluation, RMD independently reviews credit facilities. This independent review covers all new facilities or enhancements/renewals over an approved threshold and provides credit risk opinion/recommendation.

In the post sanctioning review of credit facilities, the Loans Review Manager (LRM) reviews among other things, the disbursements, perfection of collateral and repayments are in accordance with the terms of approval. A separate loan review policy approved by the Board of Directors is in place.

53.2.1 Impairment assessment

The methodology of the impairment assessment has explained in the Note 4.7 under summary of significant accounting policies.

53.2.1.1 Analysis of the total impairment for expected credit losses is as follows;

	BANK							
	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Financial assets at amortised cost Loans & advances	**1,354,086**	**428,132**	**5,482,636**	**7,264,854**	873,007	503,095	5,685,575	7,061,677
Contingent liabilities & commitments	**143,860**	**1,041**	**-**	**144,901**	118,672	1,563	764	120,999
Total	**1,497,946**	**429,173**	**5,482,636**	**7,409,755**	991,679	504,658	5,686,339	7,182,676

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.1.1 Analysis of the total impairment for expected credit losses is as follows (contd.);

	GROUP							
	2025				2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Financial assets at amortised cost								
Loans & advances	**1,419,816**	**498,222**	**6,243,444**	**8,161,482**	956,860	547,156	6,447,178	7,951,194
Contingent liabilities & commitments	**143,860**	**1,041**	**-**	**144,901**	116,608	1,563	764	118,936
Total	**1,563,676**	**499,263**	**6,243,444**	**8,306,383**	1,073,468	548,719	6,447,942	8,070,130

53.2.1.2 Movement of the total allowance for expected credit losses during the period (This includes financial instruments at amortised cost and contingent liabilities and commitments)

	BANK		GROUP	
	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Opening balance as at 1 January	**7,182,674**	7,064,926	**8,070,132**	8,018,069
Net charge for the year	**355,419**	138,008	**452,383**	162,569
Write-offs during the year	**(128,338)**	(20,261)	**(216,132)**	(110,506)
Balance as at 31 December	**7,409,755**	7,182,674	**8,306,383**	8,070,132

53.2.1.3 Sensitivity analysis: impact of staging of loans on collective impairment

As explained in Note 4.7.1, the Bank/Group categorises its loans into stage 1, stage 2 and stage 3 when determining the collective impairment provision under SLFRS 9. The sensitivity of collective impairment provision to staging of the loans is given below:

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Bank as at 31 December 2025 would have reduced by 1.7% (2024: 3.1%) for loans and advances.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Bank as at 31st December 2025 would have increased by 146.6% (2024: 233.2%) for loans and advances.*

*Total Composition of Stage 1 exposure is 82.21% out of the total exposure. The management believes that a movement of the entire stage 1 exposure to stage 2 is highly unlikely.

53.2.1.4 Sensitivity analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

A 1% change in the EFA for 2025 would have changed the collective impairment provision of the Bank as follows as at 31 December 2025.

Change in Economic Factor adjustment

	2025				
	Sensitivity effect on the statement of financial position increase / (decrease) in impairment provision				Sensitivity effect on profit increase /(decrease)
As at 31 December	Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000	LKR '000
Increase of 1%	**11,794**	**689**	**-**	**12,483**	**(12,483)**
Decrease of 1%	**(11,794)**	**(689)**	**-**	**(12,483)**	**12,483**

	2024				
	Sensitivity effect on the statement of financial position increase / (decrease) in impairment provision				Sensitivity effect on profit increase /(decrease)
As at 31 December	Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000	LKR '000
Increase of 1%	7,695	683	-	8,378	(8,378)
Decrease of 1%	(7,695)	(683)	-	(8,378)	8,378

53.2.2 Credit–related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure customer's liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods or contract financing. Such commitments risks are mitigated by collateral cover, regular review of unfunded limits and exposures similar to review of funded limits and exposures.

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.3 Analysis of risk concentration

The Group's concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. Risk is monitored and managed against Board approved limits for industry sector and individual/group exposures.

The following table shows the risk concentration by industry for the components of the Statement of Financial Position;

BANK

As at 31 December	2025							
	Financial Services LKR '000	Government LKR '000	Consumer LKR '000	Retail and Wholesale LKR '000	Construction LKR '000	Manufacturing LKR '000	Service LKR '000	Total LKR '000
Financial assets								
Cash and cash equivalents	3,611,952	-	-	-	-	-	-	3,611,952
Balances with Central Bank of Sri Lanka	-	807,025	-	-	-	-	-	807,025
Placements with banks	1,865,906	-	-	-	-	-	-	1,865,906
Reverse repurchased agreements	-	370,074	-	-	-	-	-	370,074
Derivative financial instruments	101,354	-	-	-	-	-	-	101,354
Financial assets at fair value through profit or loss	1,243,334	4,884,545	-	-	-	-	-	6,127,879
Financial assets at amortised cost - loans and advances to customers	7,760,843	-	21,468,837	23,870,497	8,550,737	15,197,448	33,938,022	110,786,384
Financial assets at amortised cost - debt and other instruments	-	16,093,548	-	-	-	-	-	16,093,548
Financial assets at fair value through other comprehensive income	2,530	23,383,053	-	-	-	-	-	23,385,583
Other financial assets	-	-	-	-	-	-	61,370	61,370
Subtotal	14,585,919	45,538,245	21,468,837	23,870,497	8,550,737	15,197,448	33,999,392	163,211,075
Undrawn loan commitments	671,442	-	6,542,397	2,134,931	1,481,999	2,330,726	1,216,870	14,378,365
Guarantees	1,834,923	-	1,879,158	3,645,588	893,973	1,030,310	1,908,691	11,192,643
Letters of credit	-	-	42,757	1,102,924	249,298	1,787,150	557,540	3,739,669
Acceptances	-	-	1,466,401	305,821	64,574	1,550,204	18,572	3,405,572
Other contingent items	13,787,589	-	649,582	400,397	-	155,422	14,741	15,007,729
Subtotal	16,293,952	-	10,580,295	7,589,661	2,689,844	6,853,812	3,716,414	47,723,978
Total	30,879,871	45,538,245	32,049,132	31,460,158	11,240,581	22,051,260	37,715,806	210,935,053

BANK

As at 31 December	2024							
	Financial Services LKR '000	Government LKR '000	Consumer LKR '000	Retail and Wholesale LKR '000	Construction LKR '000	Manufacturing LKR '000	Service LKR '000	Total LKR '000
Financial assets								
Cash and cash equivalents	3,736,158	-	-	-	-	-	-	3,736,158
Balances with Central Bank of Sri Lanka	-	375,596	-	-	-	-	-	375,596
Placements with banks	1,135,072	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	562,470
Derivative financial instruments	44,429	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	500,130	4,384,380	-	-	-	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	5,908,355	-	13,384,253	17,381,122	6,513,502	13,869,237	24,146,388	81,202,856
Financial assets at amortised cost - debt and other instruments	-	22,863,756	-	-	-	-	-	22,863,756
Financial assets at fair value through other comprehensive income	2,530	23,319,867	-	-	-	-	-	23,322,397
Other financial assets	-	-	-	-	-	-	36,493	36,493
Subtotal	11,889,144	50,943,599	13,384,253	17,381,122	6,513,502	13,869,237	24,182,882	138,163,737
Undrawn loan commitments	347,882	-	4,552,622	2,182,231	177,835	1,570,127	1,291,440	10,122,137
Guarantees	2,786,514	-	971,505	2,645,244	858,832	719,895	1,590,672	9,572,662
Letters of credit	-	-	-	1,267,416	65,120	2,136,603	133,032	3,602,171
Acceptances	-	-	1,326,937	510,376	6,456	236,602	26,709	2,107,080
Other contingent items	10,600,826	-	797,970	230,267	-	239,795	1,249	11,870,107
Subtotal	13,735,222	-	7,649,034	6,835,534	1,108,243	4,903,022	3,043,102	37,274,157
Total	25,624,366	50,943,599	21,033,287	24,216,656	7,621,745	18,772,259	27,225,984	175,437,894

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.3 Analysis of risk concentration (contd.)

GROUP

As at 31 December	2025							
	Financial Services LKR '000	Government LKR '000	Consumer LKR '000	Retail and Wholesale LKR '000	Construction LKR '000	Manufacturing LKR '000	Service LKR '000	Total LKR '000
Financial assets								
Cash and cash equivalents	3,911,709	-	-	-	-	-	-	3,911,709
Balances with Central Bank of Sri Lanka	-	807,025	-	-	-	-	-	807,025
Placements with banks	1,865,906	-	-	-	-	-	-	1,865,906
Reverse repurchased agreements	-	370,074	-	-	-	-	-	370,074
Derivative financial instruments	101,354	-	-	-	-	-	-	101,354
Financial assets at fair value through profit or loss	1,360,881	4,884,545	-	-	-	-	-	6,245,426
Financial assets at amortised cost - loans and advances to customers	9,206,371	-	27,525,815	25,527,162	9,354,436	16,240,142	35,808,017	123,661,943
Financial assets at amortised cost - debt and other instruments	-	16,771,211	-	-	-	-	-	16,771,211
Financial assets at fair value through other comprehensive income	2,530	23,383,053	-	-	-	-	35,008	23,420,591
Other financial assets	2,537	-	-	-	-	-	71,052	73,589
Subtotal	16,451,288	46,215,908	27,525,815	25,527,162	9,354,436	16,240,142	35,914,077	177,228,828
Undrawn loan commitments	671,442	-	6,542,396	2,134,931	1,481,999	2,330,728	1,216,870	14,378,366
Guarantees	1,834,923	-	1,879,157	3,645,588	893,973	1,030,309	1,908,691	11,192,641
Letters of credit	-	-	42,757	1,102,924	249,298	1,787,150	557,540	3,739,669
Acceptances	-	-	1,466,401	305,821	64,574	1,550,204	18,572	3,405,572
Other contingent items	13,787,589	-	649,582	400,397	-	155,423	14,741	15,007,732
Subtotal	16,293,954	-	10,580,293	7,589,661	2,689,844	6,853,814	3,716,414	47,723,980
Total	32,745,242	46,215,908	38,106,108	33,116,823	12,044,280	23,093,956	39,630,491	224,952,808

GROUP

As at 31 December	2024							
	Financial Services LKR '000	Government LKR '000	Consumer LKR '000	Retail and Wholesale LKR '000	Construction LKR '000	Manufacturing LKR '000	Service LKR '000	Total LKR '000
Financial assets								
Cash and cash equivalents	4,333,380	-	-	-	-	-	-	4,333,380
Balances with Central Bank of Sri Lanka	-	375,596	-	-	-	-	-	375,596
Placements with banks	1,135,072	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	562,470
Derivative financial instruments	44,429	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	610,457	4,384,380	-	-	-	-	-	4,994,837
Financial assets at amortised cost - loans and advances to customers	7,121,039	-	17,134,389	18,420,147	7,083,049	14,666,059	25,460,450	89,885,133
Financial assets at amortised cost - debt and other instruments	-	23,874,378	-	-	-	-	-	23,874,378
Financial assets at fair value through other comprehensive income	2,731	23,319,867	-	-	-	-	31,312	23,353,910
Other financial assets	14,592	-	-	-	-	-	43,549	58,141
Subtotal	13,824,129	51,954,180	17,134,348	18,420,106	7,083,008	14,666,018	25,535,270	148,617,305
Undrawn loan commitments	224,945	-	4,552,623	2,182,231	177,835	1,570,127	1,291,439	9,999,200
Guarantees	2,786,514	-	971,504	2,645,244	858,832	719,895	1,590,673	9,572,662
Letters of credit	-	-	-	1,267,416	65,120	2,136,603	133,032	3,602,171
Acceptances	-	-	1,326,937	510,376	6,456	236,602	26,709	2,107,080
Other contingent items	10,600,826	-	797,970	230,267	-	239,795	1,249	11,870,107
Subtotal	13,612,285	-	7,649,034	6,835,534	1,108,243	4,903,022	3,043,102	37,151,220
Total	27,436,414	51,954,180	24,783,382	25,255,640	8,191,251	19,569,040	28,578,372	185,768,525

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.4 Credit quality per segments, industry and asset classes

Credit risk exposure analysis

The below tables summaries the quantitative summary of aggregate credit risk exposures of financial assets at fair value through other comprehensive income and financial assets at amortised cost that reconciles to the Statement of Financial Position.
The disclosures also includes credit risk likely to arise from off- balance sheet commitments by category;

As at 31 December	2025							
	BANK				GROUP			
	Stage 1 LKR'000	Stage 2 LKR'000	Stage 3 LKR'000	Total LKR'000	Stage 1 LKR'000	Stage 2 LKR'000	Stage 3 LKR'000	Total LKR'000
By portfolio								
Placements with banks	1,865,906	-	-	1,865,906	1,865,906	-	-	1,865,906
Reverse repurchased agreements	370,074	-	-	370,074	370,074	-	-	370,074
Derivative financial instruments	101,354	-	-	101,354	101,354	-	-	101,354
Financial investments at fair value through profit or loss	6,127,879	-	-	6,127,879	6,245,426	-	-	6,245,426
Loans and advances	93,145,730	6,883,548	10,757,106	110,786,384	103,454,108	8,682,126	11,525,709	123,661,943
Term loans	54,652,387	6,064,603	9,255,786	69,972,776	59,542,973	6,763,876	9,677,374	75,984,223
Overdrafts	11,542,993	228,108	370,289	12,141,390	11,542,993	228,108	370,289	12,141,390
Trade finance	11,210,464	290,140	915,202	12,415,806	11,210,464	290,140	915,202	12,415,806
Lease and hire purchase	4,981,269	175,508	27,815	5,184,592	8,234,981	1,096,586	356,841	9,688,408
Factoring	291,966	39,117	8,409	339,492	291,966	39,117	25,499	356,582
Credit cards	3,220,525	73,351	171,652	3,465,528	3,220,525	73,351	171,652	3,465,528
Other	7,246,126	12,721	7,953	7,266,800	9,410,206	190,948	8,852	9,610,006
Financial assets at amortised cost - debt and other instruments	16,093,548	-	-	16,093,548	16,771,211	-	-	16,771,211
Financial assets at fair value through other comprehensive income	23,385,583	-	-	23,385,583	23,420,591	-	-	23,420,591
Other financial assets	61,370	-	-	61,370	73,589	-	-	73,589
Subtotal	141,151,444	6,883,548	10,757,106	158,792,098	152,302,259	8,682,126	11,525,709	172,510,094
Undrawn loan commitments	14,359,320	19,046	-	14,378,366	14,359,320	19,046	-	14,378,366
Guarantees	11,192,643	-	-	11,192,643	11,192,643	-	-	11,192,643
Letters of credit	3,739,669	-	-	3,739,669	3,739,669	-	-	3,739,669
Acceptances	3,405,572	-	-	3,405,572	3,405,572	-	-	3,405,572
Other contingent items	15,007,729	-	-	15,007,729	15,007,729	-	-	15,007,729
Subtotal	47,704,933	19,046	-	47,723,979	47,704,933	19,046	-	47,723,979
Total	188,856,377	6,902,594	10,757,106	206,516,077	200,007,192	8,701,172	11,525,709	220,234,073
By industry segment								
Construction	9,758,655	789,107	692,819	11,240,581	10,216,455	903,551	924,273	12,044,279
Consumer	29,633,266	926,133	1,489,940	32,049,339	34,561,835	1,847,117	1,697,363	38,106,315
Financial services	67,592,644	-	770	67,593,414	69,073,044	31,329	25,755	69,130,128
Manufacturing	20,351,569	329,417	1,370,276	22,051,262	21,041,252	556,227	1,496,477	23,093,956
Service	29,668,741	2,342,627	5,643,070	37,654,438	31,334,414	2,579,451	5,684,160	39,598,025
Wholesale & retail trade	27,384,618	2,515,310	1,560,231	31,460,159	28,635,646	2,783,497	1,697,681	33,116,824
Government	4,466,884	-	-	4,466,884	5,144,546	-	-	5,144,546
Total	188,856,377	6,902,594	10,757,106	206,516,077	200,007,192	8,701,172	11,525,709	220,234,073
By province								
Central	3,950,673	72,883	219,283	4,242,839	4,845,315	351,721	276,037	5,473,073
Eastern	2,800,897	1,427	8,845	2,811,169	3,093,963	70,941	35,944	3,200,848
North Central	932,068	75,592	118,389	1,126,049	2,011,497	237,749	128,216	2,377,462
North Western	5,908,630	202,227	233,041	6,343,898	6,369,247	251,722	272,674	6,893,643
Northern	6,438,682	54,051	23,439	6,516,172	6,438,682	54,051	23,439	6,516,172
Sabaragamuwa	3,149,029	22,003	416,043	3,587,075	3,985,705	194,352	471,369	4,651,426
Southern	4,997,178	245,113	284,523	5,526,814	7,443,368	725,368	408,689	8,577,425
Uva	865,480	66,907	73,138	1,005,525	865,480	66,907	73,138	1,005,525
Western	157,541,047	6,162,391	6,789,789	170,493,227	162,681,242	6,748,361	7,245,587	176,675,190
Outside Sri Lanka	2,272,693	-	2,590,616	4,863,309	2,272,693	-	2,590,616	4,863,309
Total	188,856,377	6,902,594	10,757,106	206,516,077	200,007,192	8,701,172	11,525,709	220,234,073

As at 31 December	2024							
	BANK				GROUP			
	Stage 1 LKR'000	Stage 2 LKR'000	Stage 3 LKR'000	Total LKR'000	Stage 1 LKR'000	Stage 2 LKR'000	Stage 3 LKR'000	Total LKR'000
By portfolio								
Placements with banks	1,135,072	-	-	1,135,072	1,135,072	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	562,470	562,470	-	-	562,470
Derivative financial instruments	44,429	-	-	44,429	44,429	-	-	44,429
Financial assets at fair value through profit or loss	4,884,509	-	-	4,884,509	4,994,837	-	-	4,994,837
Loans and advances	61,991,584	7,137,655	12,073,617	81,202,856	68,344,634	8,421,775	13,118,724	89,885,133
Term loans	37,957,725	5,577,192	10,447,976	53,982,893	40,691,636	6,001,655	11,050,291	57,743,582
Overdrafts	7,221,462	581,082	395,504	8,198,048	7,221,463	581,082	395,504	8,198,049
Trade finance	9,231,834	858,584	817,802	10,908,220	9,231,834	858,584	817,802	10,908,220
Lease and hire-purchase	1,085,108	-	59,967	1,145,075	3,235,389	735,001	479,468	4,449,858
Factoring	241,110	25,816	21,713	288,639	241,110	25,816	37,804	304,730
Credit cards	3,105,290	92,218	322,321	3,519,829	3,105,290	92,218	322,321	3,519,829
Staff loans	3,149,055	2,763	8,334	3,160,152	4,617,912	127,419	15,534	4,760,865
Financial assets at amortised cost - debt and other instruments	22,863,756	-	-	22,863,756	23,874,378	-	-	23,874,378
Financial assets at fair value through other comprehensive income	23,322,397	-	-	23,322,397	23,353,910	-	-	23,353,910
Other financial assets	36,493	-	-	36,493	58,141	-	-	58,141
Subtotal	114,840,710	7,137,655	12,073,617	134,051,982	122,367,871	8,421,775	13,118,724	143,908,370
Undrawn loan commitments	10,113,033	9,104	-	10,122,137	9,990,096	9,104	-	9,999,200
Guarantees	9,308,233	108,561	155,867	9,572,661	9,308,233	108,561	155,867	9,572,661
Letters of credit	3,602,171	-	-	3,602,171	3,602,171	-	-	3,602,171
Acceptances	2,107,081	-	-	2,107,081	2,107,081	-	-	2,107,081
Other contingent items	11,870,107	-	-	11,870,107	11,870,107	-	-	11,870,107
Subtotal	37,000,625	117,665	155,867	37,274,157	36,877,688	117,665	155,867	37,151,220
Total	151,841,335	7,255,320	12,229,484	171,326,139	159,245,559	8,539,440	13,274,591	181,059,590
By industry segment								
Construction	5,594,651	1,088,888	938,209	7,621,748	5,917,175	1,157,763	1,116,357	8,191,295
Consumer	18,809,453	520,929	1,813,039	21,143,421	21,478,722	1,128,411	2,286,424	24,893,557
Financial services	21,730,668	46,627	779	21,778,074	22,858,243	80,613	39,495	22,978,351
Manufacturing	17,122,754	283,418	1,352,129	18,758,301	17,606,564	462,006	1,486,552	19,555,122
Service	19,424,729	3,047,797	5,278,653	27,751,179	20,559,770	3,218,107	5,340,325	29,118,202
Wholesale & retail trade	18,591,076	2,267,661	2,846,675	23,705,412	19,246,459	2,492,540	3,005,438	24,744,437
Government	50,568,004	-	-	50,568,004	51,578,626	-	-	51,578,626
Total	151,841,335	7,255,320	12,229,484	171,326,139	159,245,559	8,539,440	13,274,591	181,059,590
By province								
Central	1,794,552	127,952	291,951	2,214,455	2,503,135	323,982	354,014	3,181,131
Eastern	633,383	33,722	14,622	681,727	777,308	63,471	39,660	880,439
North Central	460,554	152,431	156,348	769,333	1,001,613	258,000	192,342	1,451,955
North Western	3,224,246	128,335	397,841	3,750,422	3,435,132	194,252	481,930	4,111,314
Northern	1,762,033	41,655	32,048	1,835,736	1,762,033	41,655	32,048	1,835,736
Sabaragamuwa	1,452,264	20,945	489,591	1,962,800	2,004,299	208,316	536,782	2,749,397
Southern	2,900,816	263,914	451,420	3,616,150	4,266,890	560,540	597,735	5,425,165
Uva	514,629	26,452	130,163	671,244	514,629	26,452	130,163	671,244
Western	137,961,478	6,459,914	7,735,245	152,156,637	141,843,140	6,862,772	8,379,662	157,085,574
Outside Sri Lanka	1,137,380	-	2,530,255	3,667,635	1,137,380	-	2,530,255	3,667,635
Total	151,841,335	7,255,320	12,229,484	171,326,139	159,245,559	8,539,440	13,274,591	181,059,590

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.5 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables, etc.
- For retail lending, mortgages over residential properties, etc.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken. Although on Statement of Financial Position netting arrangements may significantly reduce credit risk, it should be noted that Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realised that the documentation are legally enforceable.

The tables on the following pages show the maximum exposure to credit risk by class of financial assets. They also show the total fair value of collateral, any surplus collateral and the net exposure to credit risk.

53.2.5.1 Maximum and net exposure to credit risk by class of financial assets

	2025											
	Value of collateral and credit enhancements held											
BANK As at 31 December	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with banks	1,865,906	-	-	-	-	-	-	-	-	-	-	1,865,906
Reverse repurchased agreements	370,074	-	-	-	-	-	-	-	-	370,074	-	-
Derivative financial instruments	101,354	-	-	-	-	-	-	-	-	-	-	101,354
Financial assets at fair value through profit or loss	6,127,879	-	-	-	-	-	-	-	-	-	-	6,127,879
Financial assets at amortised cost - loans and advances to customers	118,051,238	12,751,647	1,574,338	8,217,485	1,977,529	3,145,884	42,812,582	5,286,575	6,665,700	9,595,760	6,029,849	19,993,889
Financial assets at amortised cost - debt and other instruments	16,093,548	-	-	-	-	-	-	-	-	-	-	16,093,548
Financial assets at fair value through other comprehensive income	23,385,583	-	-	-	-	-	-	-	-	-	-	23,385,583
Other financial assets	61,370	-	-	-	-	-	-	-	-	-	-	61,370
Total financial assets	166,056,952	12,751,647	1,574,338	8,217,485	1,977,529	3,145,884	42,812,582	5,286,575	6,665,700	9,965,834	6,029,849	67,629,529

BANK As at 31 December	2024											
	Value of collateral and credit enhancements held											
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with banks	1,135,072	-	-	-	-	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	-	-	562,470	-	-
Derivative financial instruments	44,429	-	-	-	-	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,884,509	-	-	-	-	-	-	-	-	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	88,264,533	11,157,220	132,807	8,940,939	1,359,318	4,387,499	23,709,898	1,197,339	742,668	3,668,446	2,117,924	30,850,475
Financial assets at amortised cost - debt and other instruments	22,863,756	-	-	-	-	-	-	-	-	-	-	22,863,756
Financial assets at fair value through other comprehensive income	23,322,397	-	-	-	-	-	-	-	-	-	-	23,322,397
Other financial assets	36,493	-	-	-	-	-	-	-	-	-	-	36,493
Total financial assets	141,113,659	11,157,220	132,807	8,940,939	1,359,318	4,387,499	23,709,898	1,197,339	742,668	4,230,916	2,117,924	83,137,131

Group As at 31 December	2025											
	Value of collateral and credit enhancements held											
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with banks	**1,865,906**	-	-	-	-	-	-	-	-	-	-	**1,865,906**
Reverse repurchased agreements	**370,074**	-	-	-	-	-	-	-	-	**370,074**	-	-
Derivative financial instruments	**101,354**	-	-	-	-	-	-	-	-	-	-	**101,354**
Financial assets at fair value through profit or loss	**6,245,426**	-	-	-	-	**117,547**	-	-	-	-	-	**6,127,879**
Financial assets at amortised cost - loans and advances to customers	**131,823,425**	**12,751,647**	**1,574,338**	**9,307,395**	**1,977,529**	**3,145,884**	**43,460,157**	**10,205,726**	**10,914,097**	**9,595,760**	**8,356,585**	**20,534,307**
Financial assets at amortised cost - debt and other instruments	**16,771,211**	-	-	-	-	-	-	-	-	-	-	**16,771,211**
Financial assets at fair value through other comprehensive income	**23,420,591**	-	-	-	-	-	-	-	-	-	-	**23,420,591**
Other financial assets	**73,589**	-	-	-	-	-	-	-	-	-	-	**73,589**
Total financial assets	**180,671,576**	**12,751,647**	**1,574,338**	**9,307,395**	**1,977,529**	**3,263,431**	**43,460,157**	**10,205,726**	**10,914,097**	**9,965,834**	**8,356,585**	**68,894,837**

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.5.1 Maximum and net exposure to credit risk by class of financial assets (contd.)

Group As at 31 December	2024											
	Value of collateral and credit enhancements held											
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with banks	1,135,072	-	-	-	-	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	-	-	562,470	-	-
Derivative financial instruments	44,429	-	-	-	-	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,994,837	-	-	-	-	110,328	-	-	-	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	97,836,327	11,157,220	132,807	10,108,224	1,359,318	4,387,499	23,711,428	4,859,678	3,038,846	4,504,712	3,706,909	30,869,686
Financial assets at amortised cost - debt and other instruments	23,874,378	-	-	-	-	-	-	-	-	-	-	23,874,378
Financial assets at fair value through other comprehensive income	23,353,910	-	-	-	-	-	-	-	-	-	-	23,353,910
Other financial assets	58,141	-	-	-	-	-	-	-	-	-	-	58,141
Total financial assets	151,859,564	11,157,220	132,807	10,108,224	1,359,318	4,497,827	23,711,428	4,859,678	3,038,846	5,067,182	3,706,909	84,220,125

There are no changes to the collateral policies or quality of the collaterals held. Further the Bank does not provide impairment for loans secured by cashbacked collaterals, staff loans secured by terminal benefits and financial assets designated as fair value through other comprehensive income, where investments are made in Government securities.

53.2.5.2 Collateral and other credit enhancements

The table below summarises the Bank's collateral for loans and advances to customers by stage classification;

As at 31 December	2025											
	Gross Carrying Amount				Collateral				Net Exposure			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK												
Term loans	55,615,839	6,455,766	13,225,041	75,296,646	45,692,914	6,197,737	10,069,727	61,960,378	9,922,925	258,029	3,155,314	13,336,268
Overdrafts	11,626,178	239,426	1,245,542	13,111,146	9,784,669	228,412	614,978	10,628,059	1,841,509	11,014	630,564	2,483,087
Trade finance	11,439,679	299,995	1,011,973	12,751,647	11,439,679	299,995	1,011,973	12,751,647	-	-	-	-
Lease and hire purchase	5,026,155	181,158	79,262	5,286,575	5,026,155	181,158	79,262	5,286,575	-	-	-	-
Factoring	302,746	40,947	97,571	441,264	269,916	40,947	15,623	326,486	32,830	-	81,948	114,778
Pawning	6,009,789	12,721	7,339	6,029,849	6,009,789	12,721	7,339	6,029,849	-	-	-	-
Credit cards	3,243,093	81,664	572,403	3,897,160	167,901	1,269	6,691	175,861	3,075,192	80,395	565,712	3,721,299
Staff loans	1,236,337	-	614	1,236,951	898,263	-	231	898,494	338,074	-	383	338,457
Grand total	94,499,816	7,311,677	16,239,745	118,051,238	79,289,286	6,962,239	11,805,824	98,057,349	15,210,530	349,438	4,433,921	19,993,889
GROUP												
Term loans	60,520,654	7,170,752	13,838,428	81,529,834	50,275,571	6,903,433	10,629,975	67,808,979	10,245,083	267,319	3,208,453	13,720,855
Overdrafts	11,626,178	239,426	1,245,542	13,111,146	9,784,669	228,412	614,978	10,628,059	1,841,509	11,014	630,564	2,483,087
Trade finance	11,439,679	299,995	1,011,973	12,751,647	11,439,679	299,995	1,011,973	12,751,647	-	-	-	-
Lease and hire purchase	8,315,470	1,146,973	767,395	10,229,838	8,314,799	1,146,973	743,953	10,205,725	671	-	23,442	24,113
Factoring	302,746	40,947	324,511	668,204	269,916	40,947	124,516	435,379	32,830	-	199,995	232,825
Pawning & gold loans	8,148,781	199,517	8,287	8,356,585	8,148,781	199,517	8,287	8,356,585	-	-	-	-
Credit cards	3,243,093	81,664	572,403	3,897,160	167,901	1,269	6,691	175,861	3,075,192	80,395	565,712	3,721,299
Staff loans	1,277,327	1,070	614	1,279,011	925,582	1,070	231	926,883	351,745	-	383	352,128
Grand total	104,873,928	9,180,344	17,769,153	131,823,425	89,326,898	8,821,616	13,140,604	111,289,118	15,547,030	358,728	4,628,549	20,534,307

As at 31 December	2024											
	Gross Carrying Amount				Collateral				Net Exposure			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
BANK												
Term loans	38,559,108	6,030,775	14,614,743	59,204,626	21,540,338	5,408,002	8,879,845	35,828,185	17,018,770	622,773	5,734,898	23,376,441
Overdrafts	7,284,861	594,339	1,444,860	9,324,060	5,100,895	366,313	566,707	6,033,915	2,183,966	228,026	878,153	3,290,145
Trade finance	9,407,633	871,449	878,138	11,157,220	9,407,633	871,449	878,138	11,157,220	-	-	-	-
Lease and hire purchase	1,093,926	-	103,413	1,197,339	1,093,926	-	103,413	1,197,339	-	-	-	-
Factoring	251,528	27,380	123,592	402,501	210,302	19,307	46,691	276,300	41,226	8,073	76,901	126,200
Pawning	2,111,817	2,763	3,345	2,117,924	2,111,817	2,763	3,345	2,117,925	-	-	-	-
Credit cards	3,118,269	114,044	586,114	3,818,427	64,568	997	6,169	71,734	3,053,701	113,047	579,945	3,746,693
Staff loans	1,037,447	-	4,989	1,042,436	726,456	-	4,984	731,440	310,991	-	5	310,996
Grand total	62,864,589	7,640,750	17,759,194	88,264,533	40,255,935	6,668,831	10,489,292	57,414,058	22,608,654	971,919	7,269,902	30,850,475
GROUP												
Term loans	41,323,162	6,474,090	15,446,580	63,243,831	24,528,069	5,819,787	9,656,907	40,004,763	16,795,093	654,303	5,789,673	23,239,069
Overdrafts	7,284,861	594,339	1,444,860	9,324,060	5,100,895	366,313	566,707	6,033,915	2,183,966	228,026	878,153	3,290,145
Trade finance	9,407,633	871,449	878,138	11,157,220	9,407,633	871,449	878,138	11,157,220	-	-	-	-
Lease and hire purchase	3,286,530	754,154	840,399	4,881,083	3,286,530	754,154	820,524	4,861,208	-	-	19,875	19,875
Factoring	251,528	27,380	353,754	632,663	210,302	19,307	155,553	385,162	41,226	8,073	198,201	247,500
Pawning & gold loans	3,564,972	131,554	10,384	3,706,909	3,564,972	131,554	10,384	3,706,910	-	-	-	-
Credit cards	3,118,269	114,044	586,114	3,818,427	64,568	997	6,169	71,734	3,053,701	113,047	579,945	3,746,693
Staff loans	1,064,537	1,921	5,675	1,072,134	738,859	1,453	5,417	745,729	325,678	468	258	326,404
Grand total	69,301,492	8,968,931	19,565,904	97,836,327	46,901,828	7,965,014	12,099,799	66,966,641	22,399,664	1,003,917	7,466,105	30,869,686

53.2.6 Concentration by location

Concentration by location for loans and advances is measured based on the location of the customer centre that granted the facility, which has a high correlation with the location of the borrower except for loans granted by the Foreign Currency Banking Unit (FCBU). Concentration of loans and advances by location is given below.

BANK

	2025		2024	
As at 31 December	**LKR '000**	**%**	**LKR '000**	**%**
Central	**3,757,751**	**3%**	1,890,617	2%
Eastern	**2,393,992**	**2%**	635,563	1%
North Central	**980,106**	**1%**	702,932	1%
North Western	**5,683,639**	**6%**	3,279,230	4%
Northern	**5,950,825**	**6%**	1,647,559	2%
Sabaragamuwa	**2,712,763**	**2%**	1,699,671	2%
Southern	**4,868,009**	**4%**	2,927,616	4%
Uva	**852,474**	**1%**	537,076	1%
Western	**83,586,825**	**75%**	67,882,592	84%
Total	**110,786,384**	**100%**	81,202,856	100%

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.6 Concentration by location (contd.)

GROUP

	2025		2024	
As at 31 December	**LKR '000**	**%**	**LKR '000**	**%**
Central	**4,987,986**	**4%**	2,857,293	3%
Eastern	**2,783,671**	**2%**	834,274	1%
North Central	**2,231,519**	**2%**	1,385,555	2%
North Western	**6,233,383**	**5%**	3,640,121	4%
Northern	**5,950,825**	**5%**	1,647,559	2%
Sabaragamuwa	**3,777,113**	**3%**	2,486,269	3%
Southern	**7,918,621**	**6%**	4,736,632	5%
Uva	**852,474**	**1%**	537,076	1%
Western	**88,926,352**	**72%**	71,760,355	80%
Total	**123,661,943**	**100%**	89,885,133	100%

53.2.7 Stage wise movement of loans and advances and contingent liabilities and commitments

53.2.7.1 Stage wise movement of gross carrying values of loans and advances

	BANK				GROUP			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Gross carrying amount 1 January 2025	**62,864,589**	**7,640,750**	**17,759,194**	**88,264,533**	**69,301,492**	**8,968,931**	**19,565,904**	**97,836,327**
Current status of new assets originated	**72,206,425**	**2,583,514**	**194,057**	**74,983,996**	**80,759,090**	**3,703,075**	**291,219**	**84,753,384**
Assets derecognised	**(38,039,421)**	**(2,182,537)**	**(2,238,511)**	**(42,460,469)**	**(42,230,707)**	**(3,040,152)**	**(2,704,329)**	**(47,975,188)**
Transfers to Stage 1	**1,046,622**	**(981,742)**	**(64,880)**	**-**	**1,195,894**	**(1,117,058)**	**(78,836)**	**-**
Transfers to Stage 2	**(927,471)**	**978,645**	**(51,174)**	**-**	**(1,435,179)**	**1,500,393**	**(65,214)**	**-**
Transfers to Stage 3	**(355,320)**	**(288,390)**	**643,710**	**-**	**(424,284)**	**(400,844)**	**825,128**	**-**
Amounts written off	**-**	**-**	**(128,338)**	**(128,338)**	**-**	**-**	**(216,132)**	**(216,132)**
Other adjustments*	**(2,295,608)**	**(438,563)**	**125,687**	**(2,608,484)**	**(2,292,378)**	**(434,001)**	**151,413**	**(2,574,966)**
Gross carrying amount 31 December 2025	**94,499,816**	**7,311,677**	**16,239,745**	**118,051,238**	**104,873,928**	**9,180,344**	**17,769,153**	**131,823,425**

	BANK				GROUP			
	Stage 1 LKR '000	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**	**Stage 1 LKR '000**	**Stage 2 LKR '000**	**Stage 3 LKR '000**	**Total LKR '000**
Gross carrying amount 1 January 2024	40,247,865	13,704,110	15,191,327	69,143,302	44,479,867	15,279,887	17,675,438	77,435,192
Current status of new assets originated	51,344,386	2,327,051	107,475	53,778,911	56,306,196	3,068,372	185,634	59,560,202
Assets derecognised	(26,362,522)	(3,778,662)	(142,310)	(30,283,494)	(28,975,593)	(4,810,602)	(1,046,119)	(34,832,314)
Transfers to Stage 1	2,042,755	(1,884,844)	(157,911)	-	2,244,607	(2,072,839)	(171,768)	-
Transfers to Stage 2	(714,740)	904,082	(189,342)	-	(984,502)	1,212,060	(227,558)	-
Transfers to Stage 3	(217,208)	(3,118,001)	3,335,209	-	(378,081)	(3,195,825)	3,573,906	-
Amounts written off	-	-	(20,259)	(20,259)	-	-	(110,506)	(110,506)
Other adjustments*	(3,475,947)	(512,986)	(364,995)	(4,353,927)	(3,391,002)	(512,122)	(313,123)	(4,216,247)
Gross carrying amount 31 December 2024	62,864,589	7,640,750	17,759,194	88,264,533	69,301,492	8,968,931	19,565,904	97,836,327

*This includes the effect of interest accrual utilisation, repayments as well as movement in foreign exchange rates.

53.2.7.2 Stage wise movement of impairment for loans and advances

	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
As at 1 January 2025	**873,285**	**503,095**	**5,685,297**	**7,061,677**	**957,140**	**547,156**	**6,446,900**	**7,951,196**
Current stage of new assets originated	**971,070**	**145,348**	**49,242**	**1,165,660**	**1,019,968**	**201,499**	**234,502**	**1,455,969**
Assets derecognised or repaid	**(456,240)**	**(63,878)**	**(1,123,330)**	**(1,643,448)**	**(526,050)**	**(90,786)**	**(1,222,019)**	**(1,838,855)**
Effect of remeasurement/ additional impairment	**(64,832)**	**(118,194)**	**992,329**	**809,303**	**(64,833)**	**(118,193)**	**992,330**	**809,304**
Transfers to Stage 1	**58,842**	**(41,522)**	**(17,320)**	**-**	**74,794**	**(55,340)**	**(19,454)**	**-**
Transfers to Stage 2	**(21,821)**	**32,485**	**(10,664)**	**-**	**(33,366)**	**46,510**	**(13,144)**	**-**
Transfers to Stage 3	**(6,218)**	**(29,202)**	**35,420**	**-**	**(7,837)**	**(32,624)**	**40,461**	**-**
Amounts written off	**-**	**-**	**(128,338)**	**(128,338)**	**-**	**-**	**(216,132)**	**(216,132)**
As at 31 December 2025	**1,354,086**	**428,132**	**5,482,636**	**7,264,854**	**1,419,816**	**498,222**	**6,243,444**	**8,161,482**

	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
As at 1 January 2024	454,378	1,124,029	5,357,137	6,935,544	532,272	1,200,700	6,143,318	7,876,290
Current stage of new assets originated	677,476	205,214	6,150	888,840	743,896	232,649	207,698	1,184,243
Assets derecognised or repaid	(254,026)	(512,071)	(229,469)	(995,566)	(301,130)	(573,575)	(377,247)	(1,251,952)
Effect of remeasurement/ additional impairment	(178,951)	213,611	218,458	253,118	(178,953)	213,611	218,461	253,119
Transfers to Stage 1	190,559	(161,287)	(29,272)	-	173,180	(152,772)	(20,408)	-
Transfers to Stage 2	(12,877)	66,464	(53,587)	-	(9,123)	58,432	(49,309)	-
Transfers to Stage 3	(3,552)	(432,865)	436,417	-	(3,282)	(431,889)	435,171	-
Amounts written off	-	-	(20,259)	(20,259)	-	-	(110,506)	(110,506)
As at 31 December 2024	873,007	503,095	5,685,575	7,061,677	956,860	547,156	6,447,178	7,951,194

The are no contractual amount outstanding on financial assets that have been written off during the year and that is still subject to enforcement activity (2024 : Nill).

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.2.7.3 Stage wise movement of gross carying values of credit related contingent Liabilities and commitments

	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Gross carrying amount 1 January 2025	23,869,180	119,225	156,631	24,145,036	23,744,180	119,225	156,631	24,020,036
Current status of New assets originated	19,246,469	4,167	-	19,250,636	19,246,469	4,167	-	19,250,636
Assets de-recognised	(13,923,307)	(112,036)	(73,849)	(14,109,192)	(13,798,307)	(112,036)	(73,849)	(13,984,192)
Transfers to Stage 1	88,709	(5,927)	(82,782)	-	88,709	(5,927)	(82,782)	-
Transfers to Stage 2	(28,115)	28,115	-	-	(28,115)	28,115	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Other Adjustments*	1,365,996	(13,456)	-	1,352,540	1,365,996	(13,456)	-	1,352,540
Gross carrying amount 31 December 2025	30,618,932	20,088	-	30,639,020	30,618,932	20,088	-	30,639,020

	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Gross carrying amount 1 January 2024	23,121,722	637,223	267,550	24,026,495	23,168,501	520,821	310,198	23,999,520
Current status of New assets originated	15,180,923	70,225	-	15,251,148	15,180,923	70,225	-	15,251,148
Assets de-recognised	(13,879,698)	(442,454)	(98,503)	(14,420,655)	(14,011,481)	(378,467)	(141,151)	(14,531,099)
Transfers to Stage 1	150,837	(140,900)	(9,937)	-	150,837	(140,900)	(9,937)	-
Transfers to Stage 2	(190,834)	193,313	(2,479)	-	(190,835)	193,314	(2,479)	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Other Adjustments*	(513,770)	(198,182)	-	(711,952)	(553,765)	(145,768)	-	(699,533)
Gross carrying amount 31 December 2024	23,869,180	119,225	156,631	24,145,036	23,744,180	119,225	156,631	24,020,036

*This includes the effect of subsequent utilisation or settlements as well as movement in foreign exchange rates.
The amount presented above are only related undrawn credit facilities subject to impairment.

53.2.7.4 Stage wise movement of impairment values of credit related contingent Liabilities and commitments

	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
As at 1 January 2025	118,672	1,563	764	120,999	116,608	1,563	764	118,935
Current status of New assets originated	74,641	177	-	74,818	74,641	177	-	74,818
Assets de-recognised	(53,966)	(472)	(361)	(54,799)	(51,903)	(472)	(361)	(52,736)
Effect of remeasurement/additional impairment	3,740	144	-	3,884	3,740	143	-	3,883
Transfers to Stage 1	1,263	(860)	(403)	-	1,262	(859)	(403)	-
Transfers to Stage 2	(489)	489	-	-	(489)	489	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
As at 31 December 2025	143,861	1,041	-	144,902	143,859	1,041	-	144,900

	BANK				GROUP			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
As at 1 January 2024	101,583	26,652	1,149	129,384	104,222	21,810	15,745	141,777
Current status of New assets originated	62,462	260	-	62,722	62,462	260	-	62,722
Assets de-recognised	(44,587)	(10,590)	(543)	(55,720)	(47,226)	(14,088)	(15,139)	(76,453)
Effect of remeasurement/additional impairment	(16,618)	1,073	158	(15,387)	(18,682)	9,414	158	(9,110)
Transfers to Stage 1	15,931	(15,931)	-	-	15,931	(15,931)	-	-
Transfers to Stage 2	(99)	99	-	-	(99)	99	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
As at 31 December 2024	118,672	1,563	764	120,999	116,608	1,563	764	118,936

53.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Hence, the Bank may be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. It is managed by Assets and Liability Committee (ALCO) using various statistical analysis using both current and stressed scenarios. To limit this risk, the management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through ALCO. The Bank has developed internal control processes and contingency funding plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains portfolio of highly-marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flows. Further, the Bank has committed lines of credit that could be utilised to meet liquidity needs. Also, the Bank maintained a statutory deposit with the Central Bank of Sri Lanka equivalent to of customer rupee deposits. Liquid assets consists of cash, short term placements and liquid debt securities available for immediate sale.

Management has considered different possible outcomes to assess the possible impact from the current economic outlook to the Bank's operations and forecasted cash flows. The Management is of the view that the negative impacts would not pose any additional stress on the Bank's ability to maintain its liquidity ratios which is well above the regulatory requirements. The Bank has increased its liquidity buffers on a prudent basis and maintained a strong excess liquidity position.

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.3.1 Liquidity risk management

Liquidity measurement is measured through stock and flow approaches.

(a) Stock approach – Under the stock approach, liquidity is measured in terms of key ratios which portray the liquidity stored in the Statement of Financial Position.
(b) Flow approach – Banks should prepare a statement of maturities of assets and liabilities placing all cash inflows and outflows in the time bands according to the residual time to maturity.

BANK		
Liquid assets ratio	**2025**	**2024**
Liquidity Coverage Ratio (%) (Minimum Requirement : 100%)		
- Rupee (%)	**160.3%**	565.9%
- All Currency (%)	**153.8%**	486.6%
Net Stable Funding Ratio (%) - (Minimum Requirement : 100%)	**128.3%**	136.0%

	BANK		GROUP	
As at 31 December	**2025**	**2024**	**2025**	**2024**
Advances to deposits ratio				
Year end	**99.4%**	85.1%	**105.6%**	88.4%
Maximum	**102.5%**	86.0%	**107.0%**	89.4%
Minimum	**94.3%**	80.9%	**97.6%**	83.6%
Average	**98.9%**	84.4%	**103.4%**	87.5%
Net loans to assets				
Year end	**64.2%**	55.2%	**66.9%**	57.8%
Maximum	**64.2%**	55.2%	**66.9%**	57.8%
Minimum	**57.6%**	51.8%	**60.0%**	54.4%
Average	**61.7%**	53.0%	**64.2%**	55.6%

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayments on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

BANK

	2025					
As at 31 December	**On demand LKR '000**	**Less than 3 months LKR '000**	**3 to 12 months LKR '000**	**1 to 5 years LKR '000**	**Over 5 years LKR '000**	**Total LKR '000**
Financial assets						
Cash and cash equivalents	3,611,952	-	-	-	-	3,611,952
Balances with the Central Bank of Sri Lanka	807,025	-	-	-	-	807,025
Placements with banks	1,865,906	-	-	-	-	1,865,906
Reverse repurchased agreements	-	370,074	-	-	-	370,074
Derivative Financial Instruments	-	-	-	-	101,353	101,353
Financial assets at fair value through profit or loss	-	3,266,998	455,019	2,909,764	-	6,631,781
Financial assets at amortised cost - loans and advances	22,562,771	19,468,508	37,821,048	35,685,875	11,840,864	127,379,066
Financial assets at amortised cost - debt and other instruments	625,202	1,969,511	5,969,153	9,796,727	262,319	18,622,912
Financial assets at fair value through other comprehensive income	3,167,324	2,435,427	7,911,146	12,765,918	941,036	27,220,851
Other Financial assets	25,919	2,305	24,334	2,021	6,791	61,370
Total undiscounted financial assets	32,666,099	27,512,823	52,180,700	61,160,305	13,152,363	186,672,290
Financial liabilities						
Due to banks	12,881,700	4,236,825	-	-	-	17,118,525
Derivative financial instruments	-	-	-	-	5,719	5,719
Repurchased agreements	15,760,539	11,237	52,305	-	-	15,824,081
Financial liabilities at amortised cost - Due to customers	15,530,425	34,841,897	41,817,651	35,714,413	-	127,904,386
Other financial liabilities	122,674	11,517	587,859	435,855	215,037	1,372,942
Total undiscounted financial liabilities	44,295,338	39,101,476	42,457,815	36,150,268	220,756	162,225,653

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities (contd.)

BANK

	2024					
As at 31 December	**On demand LKR '000**	**Less than 3 months LKR '000**	**3 to 12 months LKR '000**	**1 to 5 years LKR '000**	**Over 5 years LKR '000**	**Total LKR '000**
Financial assets						
Cash and cash equivalents	3,736,158	-	-	-	-	3,736,158
Balances with the Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with banks	-	1,135,072	-	-	-	1,135,072
Reverse repurchased agreements	-	562,470	-	-	-	562,470
Derivative Financial Instruments	-	44,429	-	-	-	44,429
Financial assets at fair value through profit or loss	-	1,285,881	1,349,054	2,651,234	-	5,286,169
Financial assets at amortised cost - loans and advances	9,511,076	48,408,693	12,113,984	19,406,858	15,924,145	105,364,756
Financial assets at amortised cost - debt and other instruments	-	6,254,978	6,795,729	11,095,909	2,310,552	26,457,168
Financial assets at fair value through other comprehensive income	-	3,582,465	8,844,843	14,709,826	10,169	27,147,303
Other Financial assets	-	27,252	290	8,601	349	36,492
Total undiscounted financial assets	13,622,830	61,301,240	29,103,900	47,872,428	18,245,215	170,145,613
Financial liabilities						
Due to banks	39	3,423,970	1,861,125	641,335	2,603,010	8,529,440
Derivative financial instruments	-	22,162	-	-	-	22,162
Repurchased agreements	-	14,476,130	16,673	-	-	14,492,803
Financial liabilities at amortised cost - Due to customers	23,766,928	44,541,594	37,891,018	9,482,943	7,030	120,689,513
Other financial liabilities	-	386,544	236,210	453,333	316,290	1,392,377
Total undiscounted financial liabilities	23,766,967	67,850,400	40,005,026	10,577,611	2,926,330	145,126,334

GROUP

As at 31 December	2025					
	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial assets						
Cash and cash equivalents	3,911,709	-	-	-	-	3,911,709
Balances with Central Bank of Sri Lanka	807,025	-	-	-	-	807,025
Placements with banks	1,865,906	-	-	-	-	1,865,906
Reverse repurchased agreements	-	370,074	-	-	-	370,074
Derivative financial instruments	-	-	-	-	101,353	101,353
Financial assets at fair value through profit or loss	117,547	3,266,998	455,019	2,909,764	-	6,749,328
Financial assets at amortised cost - loans and advances to customers	23,249,192	21,057,604	41,255,801	41,957,778	12,707,379	140,227,754
Financial assets at amortised cost - debt and other instruments	625,202	1,969,511	5,969,153	10,474,390	262,319	19,300,575
Financial assets at fair value through other comprehensive income	3,167,324	2,435,427	7,911,146	12,765,918	941,036	27,220,851
Other financial assets	26,059	2,305	26,652	5,247	12,256	72,519
Total undiscounted financial assets	33,769,964	29,101,919	55,617,771	68,113,097	14,024,343	200,627,094
Financial liabilities						
Due to banks	13,122,185	5,514,857	1,817,202	1,718,043	-	22,172,287
Derivative financial instruments	-	-	-	-	5,719	5,719
Repurchased agreements	15,760,539	11,237	52,305	-	-	15,824,081
Financial liabilities at amortised cost - Due to customers	15,610,432	34,444,678	45,203,620	38,665,791	-	133,924,521
Financial liabilities at amortised cost - Other borrowed funds	-	-	-	-	-	-
Other financial liabilities	204,759	150,247	640,129	565,675	353,144	1,913,954
Total undiscounted financial liabilities	44,697,915	40,121,019	47,713,256	40,949,509	358,863	173,840,562

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities (contd.)

GROUP

As at 31 December	2024					
	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial assets						
Cash and cash equivalents	4,333,380	-	-	-	-	4,333,380
Balances with Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with banks	-	1,135,072	-	-	-	1,135,072
Reverse repurchased agreements	-	562,470	-	-	-	562,470
Derivative financial instruments	-	44,429	-	-	-	44,429
Financial assets at fair value through profit or loss	-	1,286,307	1,349,054	2,827,787	-	5,463,148
Financial assets at amortised cost - loans and advances to customers	9,511,076	50,988,551	16,740,393	20,406,858	17,924,145	115,571,023
Financial assets at amortised cost - debt and other instruments	-	6,347,537	6,932,201	11,095,909	2,310,552	26,686,199
Financial assets at fair value through other comprehensive income	-	3,696,622	8,905,134	14,912,431	40,478	27,554,665
Other financial assets	-	28,952	9,290	18,601	1,298	58,141
Total undiscounted financial assets	14,220,052	64,089,940	33,936,072	42,261,586	20,276,473	181,784,123
Financial liabilities						
Due to banks	39	3,511,182	1,959,135	799,995	2,603,010	8,873,361
Derivative financial instruments	-	22,162	-	-	-	22,162
Repurchased agreements	-	14,797,727	-	-	-	14,797,727
Financial liabilities at amortised cost - Due to customers	23,766,928	55,920,582	42,613,236	10,530,199	7,030	132,837,975
Financial liabilities at amortised cost - Other borrowed funds	-	128	96,735	323,821	-	420,684
Other financial liabilities	-	386,544	248,165	453,333	709,215	1,797,257
Total undiscounted financial liabilities	23,766,967	74,638,325	44,917,271	12,107,348	3,319,255	158,749,166

53.3.3 Contractual maturities of contingent liabilities and commitments

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

BANK

	2025					
As at 31 December	**On demand LKR '000**	**Less than 3 months LKR '000**	**3 to 12 months LKR '000**	**1 to 5 years LKR '000**	**Over 5 years LKR '000**	**Total LKR '000**
Commitments						
Undrawn overdraft	**9,013,268**	**-**	**-**	**-**	**-**	**9,013,268**
Commitments for unutilised facilities	**5,467,516**	**-**	**-**	**-**	**-**	**5,467,515**
Total	**14,480,783**	**-**	**-**	**-**	**-**	**14,480,783**
Contingent Liabilities						
Acceptances	**3,405,935**	**-**	**-**	**-**	**-**	**3,405,935**
Guarantees	**1,955,188**	**4,712,737**	**4,114,986**	**411,593**	**-**	**11,194,504**
Documentary credit	**736,794**	**2,690,954**	**352,181**	**-**	**-**	**3,779,929**
Forward contracts	**-**	**11,958,122**	**-**	**-**	**-**	**11,958,122**
Spot contracts	**-**	**931,098**	**-**	**-**	**-**	**931,098**
Forward Borrowing	**-**	**22,000**	**-**	**-**		**22,000**
Forward bonds	**-**	**824,876**	**-**	**-**	**-**	**824,876**
Other contingent items	**1,234,487**	**-**	**37,147**	**-**	**-**	**1,271,634**
Total	**7,332,404**	**21,139,787**	**4,504,314**	**411,593**	**-**	**33,388,098**
Total commitments and contingent liabilities	**21,813,187**	**21,139,787**	**4,504,314**	**411,593**	**-**	**47,868,881**

BANK

	2024					
As at 31 December	**On demand LKR '000**	**Less than 3 months LKR '000**	**3 to 12 months LKR '000**	**1 to 5 years LKR '000**	**Over 5 years LKR '000**	**Total LKR '000**
Commitments						
Undrawn overdraft	6,442,875	-	-	-	-	6,442,875
Commitments for unutilised facilities	3,759,617	-	-	-	-	3,759,617
Total	10,202,492	-	-	-	-	10,202,492
Contingent Liabilities						
Acceptances	2,107,374	-	-	-	-	2,107,374
Guarantees	2,166,471	3,683,826	3,483,356	242,726	-	9,576,379
Documentary credit	106,858	3,525,165	6,780	-	-	3,638,804
Forward contracts	-	10,290,065	-	-	-	10,290,065
Spot contracts	-	54,689	-	-	-	54,689
Forward bonds	-	216,302	-	-	-	216,302
Other contingent items	1,175,727	78,222	55,103	-	-	1,309,051
Total	5,556,430	17,848,269	3,545,239	242,726	-	27,192,664
Total commitments and contingent liabilities	15,758,922	17,848,269	3,545,239	242,726	-	37,395,156

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.3.3 Contractual maturities of contingent liabilities and commitments (contd.)

GROUP	2025					
As at 31 December	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Commitments						
Undrawn overdrafts	9,013,268	-	-	-	-	9,013,268
Commitments for other unutilised facilities	5,467,515	-	-	-	-	5,467,515
Total	14,480,783	-	-	-	-	14,480,783
Contingent liabilities						
Acceptances	3,405,935	-	-	-	-	3,405,935
Guarantees	1,955,188	4,712,737	4,114,986	411,593	-	11,194,504
Documentary credit	736,794	2,690,954	352,181	-	-	3,779,929
Forward contracts	-	11,958,122	-	-	-	11,958,122
Spot contracts	-	931,098	-	-	-	931,098
Forward Borrowing	-	22,000	-	-		22,000
Forward bonds	-	824,876	-	-	-	824,876
Other contingent items	1,234,487	-	37,147	-	-	1,271,634
Total	7,332,404	21,139,787	4,504,314	411,593	-	33,388,098
Total commitments and contingent liabilities	21,813,187	21,139,787	4,504,314	411,593	-	47,868,881

GROUP	2024					
As at 31 December	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Commitments						
Undrawn overdrafts	6,317,874	-	-	-	-	6,317,874
Commitments for other unutilised facilities	3,759,618	-	-	-	-	3,759,618
Total	10,077,492	-	-	-	-	10,077,492
Contingent liabilities						
Acceptances	2,107,374	-	-	-	-	2,107,374
Guarantees	2,166,473	3,683,824	3,483,356	242,726	-	9,576,379
Documentary credit	106,858	3,525,165	6,780	-	-	3,638,803
Forward contracts	-	10,290,065	-	-	-	10,290,065
Spot contracts	-	54,689	-	-	-	54,689
Forward bonds	-	216,302	-	-	-	216,302
Other contingent items	1,175,727	78,222	55,103	-	-	1,309,052
Total	5,556,432	17,848,267	3,545,239	242,726	-	27,192,664
Total commitments and contingent liabilities	15,633,924	17,848,267	3,545,239	242,726	-	37,270,156

53.4 Market risk

Market risk is defined as the risk of losses in on or off balance sheet positions arising from movements in market price. The market risk comprises of interest rate risk, foreign exchange risk, equity price risk and commodity price risk. Other risks such as volatility risk and basis risk are integral parts of these risk types. The Bank classifies exposures to market risk into either trading or non trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is marked to market on a daily basis. Non–trading positions are managed and monitored using other sensitivity analyses on a monthly basis.

53.4.1 Market risk – trading (including financial assets and financial liabilities designated at fair value through profit or loss)

The trading book is marked to market on a daily basis by the Treasury Mid Office (TMO) which is independent from Treasury front office and reports to the Chief Risk Officer. Various Board approved limits pertaining to market risk are also monitored on a daily basis by the TMO.

53.4.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments impacting the Statement of Profit or Loss and the economic value of equity. The Board has established limits on the non–trading interest rate gaps for stipulated periods.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

53.4.2.1 Interest rate sensitivity analysis

The following table demonstrates the sensitivity of the Bank's profit before tax to reasonable possible changes in interest rate with all other variables held constant.

2025		BANK	GROUP
	Increase (Decrease) in basis points	Sensitivity of effect on Profit/ (Loss) and equity - LKR	Sensitivity of effect on Profit/ (Loss) and equity - LKR
Rate sensitive assets	100 / (100)	852 Mn / (852 Mn)	895 Mn / (895 Mn)
Rate sensitive liabilities	100 / (100)	(981 Mn) / 981 Mn	(1,008 Mn) / 1,008 Mn
Net effect		(129 Mn) / 129 Mn	(113 Mn) / 113 Mn

2024		BANK	GROUP
	Increase (Decrease) in basis points	Sensitivity of effect on Profit/(Loss) and equity - LKR	Sensitivity of effect on Profit/(Loss) and equity - LKR
Rate sensitive assets	100 / (100)	695 Mn / (695 Mn)	744 Mn / (744 Mn)
Rate sensitive liabilities	100 / (100)	(847 Mn) / 847 Mn	(895 Mn) / 895 Mn
Net effect		(152 Mn) / 152 Mn	(152 Mn) / 152 Mn

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.4.2.2 Interest rate risk exposure

The table below analyses the Bank's interest rate risk exposure on financial assets and financial liabilities. The Bank's financial assets and financial liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

BANK

	2025					
		Interest Sensitive				
As at 31 December	Carrying Amount LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Non Interest Sensitive LKR '000
Financial assets						
Cash and cash equivalents	3,611,952	-	-	-	-	3,611,952
Balances with Central Bank of Sri Lanka	807,025	-	-	-	-	807,025
Placements with banks	1,865,906	1,865,906	-	-	-	-
Reverse repurchased agreements	370,074	370,074	-	-	-	-
Derivative financial instruments	101,354	-	-	-	-	101,354
Financial assets at fair value through profit or loss	6,127,879	2,038,106	392,915	2,453,525	-	1,243,333
Financial assets at amortised cost - loans and advances to customers	110,786,384	26,032,439	20,183,927	35,255,267	29,314,751	-
Financial assets at amortised cost - debt and other instruments	16,093,548	2,013,163	4,603,340	8,467,306	1,009,739	-
Financial assets at fair value through other comprehensive income	23,385,583	4,790,681	6,603,351	11,169,488	819,533	2,530
Other financial assets	61,370	-	-	-	-	61,370
Total	163,211,075	37,110,369	31,783,533	57,345,586	31,144,023	5,827,564
Financial liabilities						
Due to banks	16,049,233	5,113,837	2,551,901	6,082,890	2,300,605	-
Derivative financial instruments	5,720	-	-	-	-	5,720
Repurchased agreements	14,409,249	14,382,825	26,424	-	-	-
Financial liabilities at amortised cost - Due to customers	118,801,447	61,761,654	35,700,158	13,075,466	5,462	8,258,707
Other financial liabilities	1,356,502	-	-	-	-	1,356,502
Total	150,622,151	81,258,316	38,278,483	19,158,356	2,306,067	9,620,929
Interest rate sensitivity gap		(44,147,947)	(6,494,950)	38,187,230	28,837,956	

BANK

	2024					
		Interest Sensitive				
As at 31 December	Carrying Amount LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Non Interest Sensitive LKR '000
Financial assets						
Cash and cash equivalents	3,736,158	-	-	-	-	3,736,158
Balances with Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with banks	1,135,072	1,135,072	-	-	-	-
Reverse repurchased agreements	562,470	562,470	-	-	-	-
Derivative financial instruments	44,429	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,884,509	727,522	1,239,528	2,417,330	-	500,129
Financial assets at amortised cost - loans and advances to customers	81,202,856	44,375,374	10,868,455	15,219,266	10,739,761	-
Financial assets at amortised cost - debt and other instruments	22,863,756	5,795,476	5,873,298	10,158,581	1,036,401	-
Financial assets at fair value through other comprehensive income	23,322,397	3,196,396	7,904,961	12,212,075	6,435	2,530
Other financial assets	36,493	-	-	-	-	36,493
Total	138,163,736	55,792,310	25,886,242	40,007,252	11,782,597	4,695,335
Financial liabilities						
Due to banks	7,996,693	3,291,491	1,682,598	552,072	2,470,532	-
Derivative financial instruments	22,162	-	-	-	-	22,162
Repurchased agreements	13,197,001	13,197,001	-	-	-	-
Financial liabilities at amortised cost - Due to customers	103,740,584	61,070,495	27,690,470	6,980,483	6,332	7,992,844
Other financial liabilities	1,375,702	-	-	-	-	1,375,702
Total	126,332,142	77,558,987	29,373,068	7,532,555	2,476,864	9,390,668
Interest rate sensitivity gap		(21,766,677)	(3,486,826)	32,474,697	9,305,733	

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.4.2.2 Interest rate risk exposure (contd.)

GROUP

	2025					
		Interest Sensitive				
As at 31 December	Carrying Amount LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Non Interest Sensitive LKR '000
Financial assets						
Cash and cash equivalents	3,911,709	1,381,143	-	-	-	2,530,566
Balances with Central Bank of Sri Lanka	807,025	-	-	-	-	807,025
Placements with banks	1,865,906	1,865,906	-	-	-	-
Reverse repurchased agreements	370,074	370,074	-	-	-	-
Derivative financial instruments	101,354	-	-	-	-	101,354
Financial assets at fair value through profit or loss	6,245,426	2,038,106	392,915	2,453,526	-	1,360,879
Financial assets at amortised cost - loans and advances to customers	123,661,943	29,181,987	23,616,530	41,448,606	29,414,820	-
Financial assets at amortised cost - debt and other instruments	16,771,211	2,013,163	4,603,340	9,144,969	1,009,739	-
Financial assets at fair value through other comprehensive income	23,420,591	4,790,681	6,603,351	11,169,488	819,533	37,538
Other financial assets	73,589	-	-	-	-	73,589
Total	177,228,828	41,641,060	35,216,136	64,216,589	31,244,092	4,910,951
Financial liabilities						
Due to banks	18,391,473	5,924,832	3,087,103	7,078,933	2,300,605	-
Derivative financial instruments	5,720	-	-	-	-	5,720
Repurchased agreements	14,409,249	14,382,825	26,424	-	-	-
Financial liabilities at amortised cost - Due to customers	124,821,582	61,443,875	39,086,127	16,027,411	5,462	8,258,707
Financial liabilities at amortised cost - Other borrowed funds	2,711,522	707,522	1,282,000	722,000	-	-
Other financial liabilities	1,897,509	-	6,575	-	-	1,890,934
Total	162,237,055	82,459,054	43,488,229	23,828,344	2,306,067	10,155,361
Interest rate sensitivity gap		(40,817,994)	(8,272,093)	40,388,245	28,938,025	

GROUP

	2024					
		Interest Sensitive				
As at 31 December	Carrying Amount LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Non Interest Sensitive LKR '000
Financial assets						
Cash and cash equivalents	4,333,380	-	-	-	-	4,333,380
Balances with Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with banks	1,135,072	1,135,072	-	-	-	-
Reverse repurchased agreements	562,470	562,470	-	-	-	-
Derivative financial instruments	44,429	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,994,837	727,522	1,239,528	2,417,330	-	610,457
Financial assets at amortised cost - loans and advances to customers	89,885,133	46,988,326	12,540,268	19,591,954	10,764,585	-
Financial assets at amortised cost - debt and other instruments	23,874,378	6,147,420	6,531,975	10,158,581	1,036,402	-
Financial assets at fair value through other comprehensive income	23,353,910	3,196,396	7,904,961	12,212,075	6,435	34,043
Other financial assets	58,141	-	-	-	-	58,141
Total	148,617,346	58,757,206	28,216,732	44,379,940	11,807,422	5,456,046
Financial liabilities						
Due to banks	8,215,859	3,311,006	1,738,848	689,572	2,470,532	5,901
Derivative financial instruments	22,162	-	-	-	-	22,162
Repurchased agreements	13,197,001	13,197,001	-	-	-	-
Financial liabilities at amortised cost - Due to customers	110,629,257	62,187,589	31,113,076	9,329,972	6,332	7,992,288
Financial liabilities at amortised cost - Other borrowed funds	407,128	128	91,000	316,000	-	-
Other financial liabilities	1,797,256	-	11,954	-	-	1,785,302
Total	134,268,663	78,695,724	32,954,878	10,335,544	2,476,864	9,805,653
Interest rate sensitivity gap		(19,938,518)	(4,738,146)	34,044,396	9,330,558	

Notes to the Financial Statements

53. RISK MANAGEMENT (CONTD.)

53.4.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained with established limits.

The below tables show the currencies to which the Bank had significant exposures as at 31 December 2025 and 2024 and the impact on gain/ losses if the market exchange rates increase/decrease by 5%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Sri Lanka Rupee, with all other variables held constant on the Statement of Profit or Loss and equity.

BANK

	2025		2024	
As at 31 December Foreign exchange position	**Net Overall Long LKR '000**	**Net Overall Short LKR '000**	**Net Overall Long LKR '000**	**Net Overall Short LKR '000**
Currency				
AUD	**-**	**(1,868)**	-	(1,868)
EUR	**9,832**	**-**	9,832	-
GBP	**7,666**	**-**	7,666	-
JPY	**6,720**	**-**	6,720	-
SGD	**2,918**	**-**	2,918	-
USD	**-**	**(1,748,471)**	-	(1,748,471)
Main Currency Total	**27,136**	**(1,750,339)**	27,136	(1,750,339)
Other Currencies	**1,846**	**(92)**	1,846	(92)
Grand Total	**28,982**	**(1,750,431)**	28,982	(1,750,431)
Net Total		**(1,721,449)**		(1,721,449)

BANK	**2025**		**2024**	
Impact on Statement of Profit or Loss due to Exchange Rate Shocks	**Net Open Position LKR '000**	**Impact on Statement of Profit or Loss for the year ended 31 December LKR '000**	**Net Open Position LKR '000**	**Impact on Statement of Profit or Loss for the year ended 31 December LKR '000**
5%	**(1,807,521)**	**(86,072)**	(1,807,521)	(86,072)
10%	**(1,893,594)**	**(172,145)**	(1,893,594)	(172,145)
(5%)	**(1,635,377)**	**86,072**	(1,635,377)	86,072
(10%)	**(1,549,304)**	**172,145**	(1,549,304)	172,145

53. 5 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The exposure to equity price risk by the Group is immaterial.

53.6 Country risk

Country risk is the risk that an occurrence within the country could have an adverse effect on the Group directly by impairing the value of the Group or indirectly through an obligor's inability to meet its obligations to the Group.

Generally these occurrences relate, but are not limited to sovereign events as defaults or restructuring; political events such as contested elections, restrictions on currency movements, non-market currency convertibility, regional currency conflicts, economic contagion from other events such as sovereign default issues or regional turmoil, banking and currency crisis and natural disasters.

53.6.1 Geographical analysis

BANK & GROUP

	2025					
As at 31 December	**Asia LKR '000**	**Europe LKR '000**	**America LKR '000**	**Australia LKR '000**	**Middle East LKR '000**	**Total LKR '000**
Balances with foreign banks	**78,924**	**309,813**	**566,045**	**66,798**	**201**	**1,021,781**
Placements with banks	**-**	**433,242**	**1,077,341**	**-**	**-**	**1,510,583**
Financial assets at amortised cost - loans and advances to customers	**2,673,689**	**-**	**-**	**-**	**-**	**2,673,689**
Total	**2,752,613**	**743,055**	**1,643,386**	**66,798**	**201**	**5,206,053**

BANK & GROUP

	2024					
As at 31 December	**Asia LKR '000**	**Europe LKR '000**	**America LKR '000**	**Australia LKR '000**	**Middle East LKR '000**	**Total LKR '000**
Balances with foreign banks	46,816	103,698	236,343	19,888	-	406,745
Placements with banks	375,847	759,225	-	-	-	1,135,072
Financial assets at amortised cost - loans and advances to customers	2,530,255	-	-	-	-	2,530,255
Total	2,952,918	862,923	236,343	19,888	-	4,072,072

Except for the above, the Bank does not carry any other financial asset or financial liability outside Sri Lanka.

Notes to the Financial Statements

54. CAPITAL

The Bank maintains adequate capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor, Central Bank of Sri Lanka. The adequacy of the Bank's capital is monitored using the rules and ratio established by the Basel Committee on Banking Supervision.

54.1 Capital management

The Bank manages its equity capital in line with the regulatory requirements

The Bank's capital management objectives can be summarised as follows;

- Maintain sufficient capital to meet minimum regulatory capital requirements.
- Hold sufficient capital to support the Bank's risk appetite over and above the minimum regulatory requirements.
- Provide additional capital to business segment of the Bank to achieve the overall strategic objectives.

54.2 Regulatory capital

The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed commercial banks in Sri Lanka based on the BASEL framework. Accordingly, commercial banks in Sri Lanka need to maintain minimum capital adequacy ratios as specified in the CBSL guidelines. The Bank is well above the minimum requirements.

BANK

	2025		2024	
For the year ended 31 December	**Actual**	**Required**	**Actual**	**Required**
Common Equity Tier 1 (CET1) Capital (LKR '000)	**15,160,188**	**N/A**	14,775,811	N/A
Tier 1 Capital (LKR '000)	**15,160,188**	**N/A**	14,775,811	N/A
Total Capital (LKR '000)	**16,490,037**	**N/A**	15,742,925	N/A
Risk Weighted Assets (LKR '000)	**124,614,657**	**N/A**	94,670,047	N/A
Common Equity Tier 1 Capital Ratio (%)	**12.2%**	**7.0%**	15.6%	7.0%
Tier 1 Capital Ratio (%)	**12.2%**	**8.5%**	15.6%	8.5%
Total Capital Ratio (%)	**13.2%**	**12.5%**	16.6%	12.5%

GROUP

	2025		2024	
For the year ended 31 December	**Actual**	**Required**	**Actual**	**Required**
Common Equity Tier 1 (CET1) Capital (LKR '000)	**17,750,551**	**N/A**	17,100,703	N/A
Tier 1 Capital (LKR '000)	**17,750,551**	**N/A**	17,100,703	N/A
Total Capital (LKR '000)	**19,178,794**	**N/A**	18,132,523	N/A
Risk Weighted Assets (LKR '000)	**134,188,062**	**N/A**	101,371,429	N/A
Common Equity Tier 1 Capital Ratio (%)	**13.2%**	**7.0%**	16.9%	7.0%
Tier 1 Capital Ratio (%)	**13.2%**	**8.5%**	16.9%	8.5%
Total Capital Ratio (%)	**14.3%**	**12.5%**	17.9%	12.5%

55. RECLASSIFICATION OF COMPARATIVE INFORMATION

The comparative information is reclassified to conform to the current year's classification in order to provide a better presentation.

	BANK			GROUP		
	Balance Before Reclassification LKR '000	Reclassification LKR '000	Balanace After Reclassification LKR '000	Balance Before Reclassification LKR '000	Reclassification LKR '000	Balanace After Reclassification LKR '000
Interest income						
Financial investments at fair value through profit or loss	**639,802**	**(168,714)**	**471,088**	**662,395**	**(168,714)**	**493,680**
Financial assets at amortised cost - debt and other instruments	**2,028,510**	**168,714**	**2,197,224**	**2,093,079**	**168,714**	**2,261,793**
Interest expense						
Due to banks	**186,606**	**342,421**	**529,027**	**191,100**	**342,422**	**533,522**
Financial liabilities at amortised cost - Other borrowed funds	**342,421**	**(342,421)**	**-**	**381,588**	**(342,422)**	**39,166**

56. SELECTED PERFORMANCE INDICATORS / KEY FINANCIAL DATA

	2025	2024
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tier 1	**15,160**	14,776
Tier 1 Capital	**15,160**	14,776
Total Regulatory Capital	**16,490**	15,743
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) (Minimum Requirement : 7%)	**12.2%**	15.6%
Tier 1 Capital Ratio (%) (Minimum Requirement : 8.5%)	**12.2%**	15.6%
Total Capital Ratio (%) (Minimum Requirement : 12.5%)	**13.2%**	16.6%
Basel III Leverage Ratio (Minimum Requirement : 3%)	**7.2%**	8.3%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement : 100%)		
- Rupee (%)	**160.3%**	565.9%
- All Currency (%)	**153.8%**	486.6%
Net Stable Funding Ratio (%) - (Minimum Requirement : 100%)	**128.3%**	136.0%
Assets Quality		
Impaired Loans (Stage 3) to Total Loans, Ratio (%)	**8.1%**	12.3%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	**33.8%**	32.0%
Income & Profitability		
Net Interest Margin (%)	**3.5%**	3.4%
Return on Assets (before Tax) (%)	**1.2%**	0.8%
Return on Equity (after tax) (%)	**3.3%**	1.5%
Cost to Income Ratio (%)	**73.4%**	80.4%
Memorandum Information		
Credit Rating	**BBB-(lka)**	BBB-(lka)
Number of Employees	**1,140**	1,189
Number of Branches	**56**	61

10 Years at a Glance

	2025 LKR '000	2024 LKR '000	2023 LKR '000
Operating Results			
Gross income	**18,235,567**	16,450,687	22,410,834
Interest income	**15,130,283**	14,008,163	20,216,418
Interest expense	**9,492,299**	9,181,644	13,926,221
Net interest income	**5,637,984**	4,826,519	6,290,197
Non interest income	**2,640,152**	2,051,106	1,807,433
Share of profit of equity accounted investees, net of tax	**86,652**	(1,471)	57,499
Operating expenses (Including impairment & VAT/SSCL)	**7,151,606**	6,218,879	7,374,885
Profit before taxation	**1,213,182**	657,278	780,244
Income tax expense	**558,488**	357,076	401,038
Profit/ (loss) after income tax	**654,694**	300,202	379,206
Assets			
Cash & balances with Central Bank	**3,611,952**	3,736,158	3,666,422
Placement with banks	**2,672,931**	1,510,668	3,618,819
Reverse repurchased agreements	**370,074**	562,470	2,989,653
Derivative financial instruments	**101,354**	44,429	28,856
Financial investments at fair value through profit or loss	**6,127,879**	4,884,509	6,495,860
Financial investments - held for trading	**-**	-	-
Financial assets at amortised cost - loans and advances to customers	**110,786,384**	81,202,857	62,207,758
Financial assets at amortised cost - debt and other instruments	**16,093,548**	22,863,756	30,845,784
Other loans and receivables	**-**		-
Financial investments - held to maturity	**-**		-
Financial investments at fair value through other comprehensive income	**23,385,583**	23,322,397	20,236,964
Financial investments - available for sale	**-**		-
Current tax asset	**-**	-	-
Investments in subsidiaries	**3,124,444**	3,043,405	2,814,347
Goodwill and intangible assets	**1,403,631**	1,615,188	1,210,845
Property, plant and equipment and Right of use assets	**2,342,482**	2,109,613	1,584,821
Deferred tax asset	**814,344**	582,376	827,216
Other assets	**1,798,697**	1,713,847	2,560,373
Total Assets	**172,633,303**	147,191,673	139,087,719
Liabilities			
Due to banks	**16,049,233**	7,996,693	3,375,823
Derivative financial instruments	**5,720**	22,162	56,769
Repurchased agreements	**14,409,249**	13,197,001	25,431,273
Due to customers	**118,801,447**	103,740,584	87,984,721
Other borrowed funds	**-**		-
Current tax liabilities	**520,470**	34,978	363,738
Deferred tax liabilities	**-**		-
Other liabilities	**2,525,614**	2,359,897	2,611,369
Total Liabilities	**152,311,733**	127,351,315	119,823,693
Shareholder's funds			
Stated capital	**16,334,782**	16,334,782	16,334,782
Share warrants	**65,484**	65,484	65,484
Reserves	**3,921,304**	3,440,092	2,863,760
Total Equity	**20,321,570**	19,840,358	19,264,026
Total Equity and liabilities	**172,633,303**	147,191,673	139,087,719
Share information			
Earnings per share	**0.6**	0.3	0.4

2022 LKR '000	2021 LKR '000	2020 LKR '000	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000
18,966,036	10,978,924	13,370,190	14,712,069	13,910,425	11,937,763	8,545,874
16,728,096	9,146,880	11,179,991	12,956,243	12,142,268	10,498,284	7,223,212
10,914,005	4,889,654	7,310,035	8,477,329	8,490,006	7,452,377	4,716,433
5,814,091	4,257,226	3,869,956	4,478,914	3,652,262	3,045,907	2,506,779
1,935,554	1,637,914	2,020,293	1,541,680	1,632,999	1,329,731	1,230,599
(136,361)	66,038	(28,945)	103,823	34,614	55,801	76,696
7,256,856	4,981,839	4,922,372	4,932,816	4,542,481	3,897,321	3,378,141
356,428	979,339	938,933	1,191,601	777,394	534,118	435,933
42,240	214,420	362,397	481,254	304,846	73,500	(15,244)
314,188	764,919	576,536	710,347	472,548	460,618	451,177
8,001,623	3,815,070	3,127,818	5,033,057	7,137,798	8,483,417	4,994,490
1,659,589	118,969	15,747	94,257	3,265,425	716,147	2,819,628
375,582	1,000,505	-	426,823	417,146	1,795	2,137
14,794	26,402	38,189	6,230	34,274	2,760	15,412
1,648,699	2,575,616	7,143,403	3,228,565	2,863,121	-	-
-	-	-	-	-	5,949,023	1,346,932
67,726,643	67,835,059	67,517,674	77,358,301	73,749,208	70,577,923	55,438,415
35,889,996	17,157,602	21,168,076	13,441,040	16,567,940	-	-
-	-	-	-	-	9,609,639	7,747,231
-	-	-	-	-	2,546,553	140,231
5,286,053	18,249,861	19,385,038	17,503,245	17,735,959	-	-
-	-	-	-	-	16,453,207	16,520,365
-	-	-	1,148	336,167	436,279	268,456
2,761,747	2,905,051	882,478	912,268	835,373	1,262,612	940,027
1,459,304	1,318,660	1,314,234	1,329,791	1,202,532	1,220,999	1,151,033
1,710,640	1,763,340	1,317,789	1,482,366	789,158	888,359	897,371
483,966	351,256			115,596	-	82,534
2,464,317	1,288,708	1,032,828	936,568	870,457	858,695	644,247
129,482,953	118,406,100	122,943,274	121,753,659	125,920,154	119,007,408	93,008,509
2,601,475	6,056,855	9,980,590	11,475,176	9,348,209	17,208,641	12,160,244
-	22,327	8,313	4,515	71,750	4,867	3,976
12,551,812	8,662,744	10,205,564	12,116,040	17,585,912	10,381,193	10,256,670
92,591,545	83,416,119	82,383,852	76,532,012	79,251,073	70,325,594	51,841,372
-	-	-	1,242,450	1,234,220	1,224,812	-
276,181	365,844	262,689	-	-	-	-
-	-	53,841	62,299	-	144,922	-
2,649,109	1,956,993	1,958,408	2,810,711	1,801,642	1,859,682	1,663,030
110,670,122	100,480,881	104,853,257	104,243,203	109,292,806	101,149,711	75,925,292
16,334,782	16,334,782	16,334,782	16,334,782	16,334,782	16,334,782	16,334,782
65,484	65,484	65,484	65,484	65,484	65,484	65,484
2,412,565	1,524,953	1,689,751	1,110,190	227,082	1,457,431	682,951
18,812,831	17,925,219	18,090,017	17,510,456	16,627,348	17,857,697	17,083,217
129,482,953	118,406,100	122,943,274	121,753,659	125,920,154	119,007,408	93,008,509
0.3	0.7	0.5	0.7	0.4	0.4	0.4

Quarterly Performance of the Bank

Quarterly Performance of the Bank	2025			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
For the Quarter ended (LKR'000)				
Net interest income	1,277,898	1,301,978	1,401,599	1,656,509
Non Interest Income	441,115	740,756	740,678	717,603
Impairment for Loans and Other Losses	(33,679)	10,154	221,595	160,577
Total Operating Expenses	1,477,324	1,517,312	1,604,846	1,479,584
Share of Profit of equity accounted investees, net of tax	9,560	33,963	28,158	14,971
Profit before VAT on financial services & SSCL	284,928	549,231	343,994	748,922
Tax expenses	235,118	347,937	252,152	437,174
Profit After Tax	49,810	201,294	91,842	311,748
As at the Quarter ended (LKR'000)				
Total Assets	161,339,531	160,755,321	171,864,239	172,633,303
Financial assets at amortised cost - loans and advances to customers	92,956,503	100,403,028	107,592,099	110,786,384
Financial liabilities at amortised cost - Due to customers	105,916,913	108,089,335	111,895,878	118,801,447
Total equity attributable to equity holders of the Bank	19,891,545	20,262,545	20,238,201	20,321,570
Regulatory Capital Adequacy (%)				
Common Equity Tier 1 Capital Ratio	13.3%	12.6%	12.2%	12.2%
Tier 1 Capital Ratio	13.3%	12.6%	12.2%	12.2%
Total Capital Ratio	14.3%	13.7%	13.2%	13.2%
Leverage Ratio	7.5%	7.6%	6.9%	7.2%
Regulatory Liquidity (%)				
Net Stable Funding Ratio (%)	112.5%	111.1%	134.0%	128.3%
Liquidity Coverage Ratio (%) - All Currency	426.9%	298.1%	228.3%	153.8%
Asset Quality (%)				
Stage 3 Ratio (%)	11.0%	10.6%	8.9%	8.1%
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	30.8%	29.5%	32.6%	33.8%
Profitability (Annualised) (%)				
Interest Margin, %	3.3%	3.4%	3.3%	3.5%
Return on Assets (Before Tax), %	0.3%	0.6%	0.6%	1.2%
Return on Equity (After Tax), %	1.0%	2.5%	2.3%	3.3%
Ordinary share information (LKR)				
Last traded Price	10.3	10.8	15.6	14.9
High	12.8	11.4	16.2	18.0
Low	9.9	9.4	10.5	13.5

Investor Relations

The Bank remains firmly committed to providing shareholders and the broader investment community with timely, accurate, and decision relevant information on its performance and strategic direction. Consistent with the principles of transparency, fairness, and continuity, the Bank ensures that its disclosures are sufficiently comprehensive to support investors in making well informed economic decisions.

Aligned with its proactive disclosure philosophy, the Bank releases not only information mandated under applicable statutes and regulatory frameworks, but also additional insights considered material or beneficial to stakeholders. These include updates on financial performance, governance practices, strategic priorities, risk management developments, and forward looking business prospects.

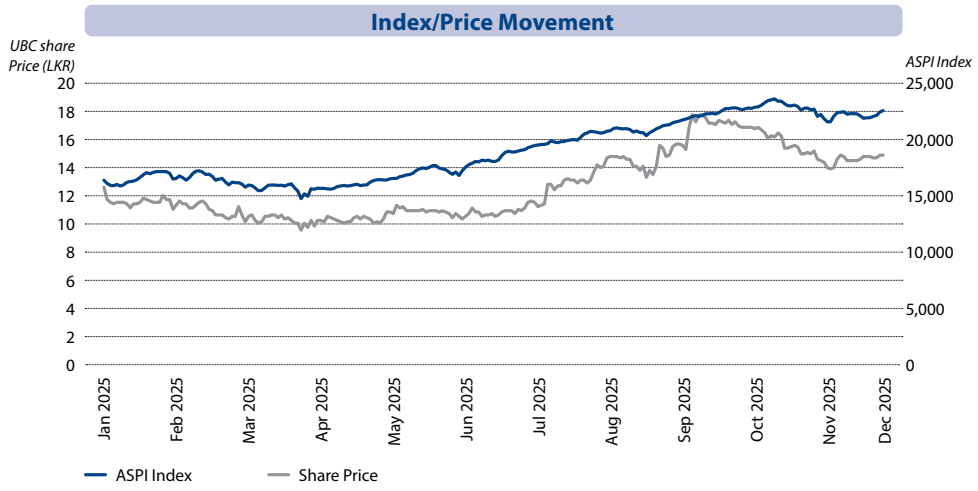
The Bank also maintains open and constructive engagement with shareholders, investors, analysts, and other interested parties. Feedback received through these interactions is channelled to management and the Board as appropriate, contributing to the continuous enhancement of corporate value.

This section of the Annual Report sets out the mandatory disclosures required under prevailing laws, regulations, and listing requirements, while also providing supplementary information intended to assist investors in assessing the Bank's overall performance and outlook.

1. Stock Exchange Listing

The Bank's issued ordinary shares are listed on the Main Board of the Colombo Stock Exchange (CSE) under the ticker symbol 'UBC'. Key trading information, including daily share and debenture prices and summaries of market activity, is published in leading national newspapers such as Daily FT, Daily News, The Island, and Daily Mirror.

2. Movement in Ordinary Voting Shares of the Bank During the Year 2025



3. Share Information

There were 27,956 shareholders as at 31st December 2025 (2024:27,706) distributed as follows:

3.1 Shareholder Distribution

Share Range	31-Dec-25				31-Dec-24			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1-1000	**24,366**	**87.16**	**3,576,863**	**0.33**	24,355	87.91	3,466,874	0.32
1001-10000	**2,582**	**9.24**	**9,235,909**	**0.85**	2,392	8.63	8,702,672	0.80
10001-100000	**845**	**3.02**	**25,380,661**	**2.34**	774	2.79	22,108,850	2.04
100001-1000000	**134**	**0.48**	**39,842,555**	**3.68**	156	0.56	45,181,285	4.17
1000001-10000000	**23**	**0.08**	**80,719,878**	**7.45**	23	0.08	62,927,971	5.81
10000001 & Above	**6**	**0.20**	**924,802,472**	**85.35**	6	0.03	941,170,686	86.86
Total	**27,956**	**100**	**1,083,558,338**	**100**	27,706	100	1,083,558,338	100

Investor Relations

3.2 Analysis of Shareholders

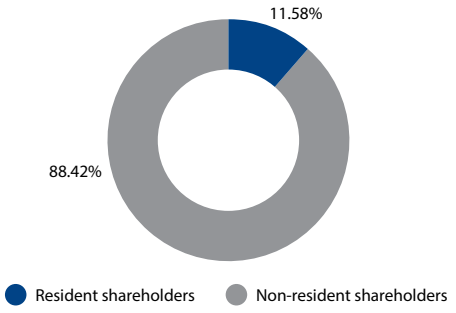
Resident / Non-Resident

Share Range	31-Dec-25			31-Dec-24		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident shareholders	**27,891**	**239,612,485**	**22.11**	27,641	238,878,029	22.04
Non-resident shareholders	**65**	**843,945,853**	**77.89**	65	844,680,309	77.96

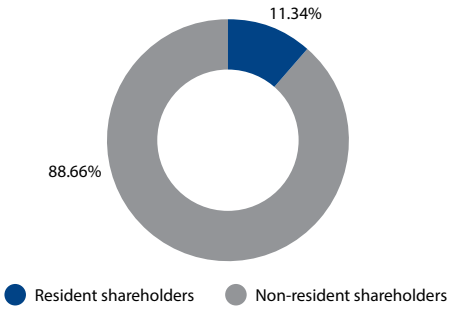
Individuals / Institutions

Share Range	31-Dec-25			31-Dec-24		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	**27,530**	**125,458,359**	**11.58**	27,291	122,869,606	11.34
Institutions	**426**	**958,099,979**	**88.42**	415	960,688,732	88.66

No. of Shareholders 31 December 2025



No. of Shareholders 31 December 2024



4. Share Trading

4.1 Market

	2025	2024	2023	2022	2021
No. of transactions	**7,492,995**	3,524,067	3,618,960	6,057,233	8,131,508
No. of shares traded	**46,646,333,149**	23,249,694,068	16,988,827,390	29,047,818,242	59,771,688,538
Value of shares traded (LKR Mn)	**1,232,649**	537,635	410,629	686,602	1,173,157

4.2 Bank

	2025	2024	2023	2022	2021
No. of transactions	**23,918**	8,685	14,550	12,100	25,061
No. of shares traded	**225,341,517**	45,039,420	138,833,763	85,033,261	203,014,713
Shares traded as a % of total shares in issue	**20.80**	4.16	12.81	7.85	18.74
Average daily turnover (LKR Mn)	**12.42**	1.92	5.82	3.15	11.23
Value of shares traded (LKR Mn)	**2,956**	460	1,420	735	2,695

5. Top 20 Shareholders, Market Capitalisation and Minimum Public holding as at 31st December 2025

5.1 Top 20 Shareholders

No.	Shareholder name	31-Dec-25		31-Dec-24	
		No. of Shares	Ratio (%)	No. of Shares	Ratio (%)
1	Culture Financial Holdings Ltd	**767,558,888**	**70.84**	767,558,888	70.84
2	Vista Knowledge Pte Ltd	**64,677,973**	**5.97**	64,677,973	5.97
3	Associated Electrical Corporation Ltd	**28,446,137**	**2.63**	30,446,137	2.81
4	Sampath Bank PLC / Yaden Capital (Pvt)Ltd	**25,881,430**	**2.39**	-	
5	Mr. D.A.J. Warnakulasuriya	**19,862,730**	**1.83**	19,862,730	1.83
6	Mr. C.P.A. Wijeyesekera	**18,375,314**	**1.70**	18,375,314	1.70
7	Mrs. P. D. A. S Beruwalage	**9,658,313**	**0.89**	7,114,591	0.66
8	Seylan Bank PLC /Sarath Kumara Wijekoon	**9,270,176**	**0.86**	-	-
9	People's Leasing & Finance PLC/L.P. Hapangama	**7,793,668**	**0.72**	-	-
10	Ashyaki Holdings (Pvt) Ltd	**7,792,806**	**0.72**	7,792,806	0.72
11	Mr. S.P Khattar	**7,323,365**	**0.68**	7,323,365	0.68
12	Mr. A.I.T. Hettiarachchi	**3,848,735**	**0.36**	3,848,735	0.36
13	Ajita De Zoysa & Company Limited	**3,110,183**	**0.29**	3,110,183	0.29
14	Sampath Bank PLC / Andaradeniya Estate (Pvt) Ltd	**3,099,273**	**0.29**	3,099,273	0.29
15	Commercial Agencies (Ceylon) Ltd	**2,973,748**	**0.27**	2,973,748	0.27
16	Seylan Bank PLC /A.P Jayasinghe	**2,920,684**	**0.27**	-	-
17	Mr. P. Brahmanage	**2,825,000**	**0.26**	-	-
18	Mrs. H.K.S.R. Perera	**2,800,000**	**0.26**	-	-
19	People's Leasing & Finance PLC/L.H.L.M.P Haradasa	**2,540,100**	**0.23**	-	-
20	Assetline Finance Limited / S.K Wijekoon	**2,087,055**	**0.19**	-	-
		992,845,578	**91.65**	936,183,743	86.42
	Total No. of shares registered	**1,083,558,338**	**100**	1,083,558,338	100
	Total No. of shares unregistered	**-**	**-**	-	-
	Total No. of shares issued	**1,083,558,338**	**100**	1,083,558,338	100
	Shares held by Directors	**-**	**-**	-	-
	Shares held by Institutions	**958,099,979**	**88.42**	960,688,732	88.66
	Balance held by Public	**125,458,359**	**11.58**	122,869,606	11.34
	Total No. of shares issued	**1,083,558,338**	**100**	1,083,558,338	100
	Shares held by Public	**315,986,950**	**29.16**	315,989,650	29.16
	Shares held by Directors and Related Parties	**767,571,388**	**70.84**	767,568,688	70.84
	Total No. of shares issued	**1,083,558,338**	**100**	1,083,558,338	100

Investor Relations

5.2 Market Capitalisation and Minimum Public Holding

	31-Dec-25
Market Capitalisation (LKR)	**16,145,019,236.20**
Public Holding percentage	**29.1620%**
Float adjusted Market Capitalisation	**4,708,210,509.66**
No. of shareholders representing Public Holding	**27,947**
Required minimum Public Holding percentage under option 4 of rule 7.13.1 (a) of the Listing Rules of the CSE	**10%**

The Minimum Public Holding of Union Bank of Colombo PLC as at 31st December 2025 was in compliance with Option 4 of Rule 7.13.1(a) of the Listing Rules of the CSE.

6. Dividends

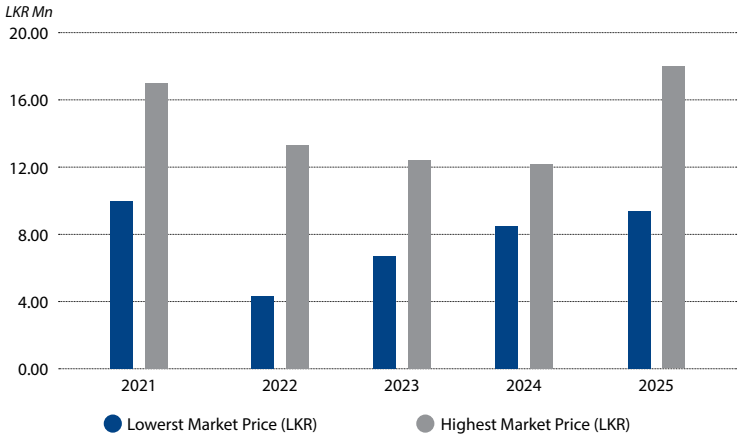
Year	Total Dividend Paid LKR Mn	Dividend per Share LKR	Dividend Payout Ratio
2012 Final	122	0.35	39
2013 Final	87	0.25	77
2015 Final	44	0.04	23
2016 Final	109	0.10	24
2017 Final	109	0.10	25
2019 Final	152	0.14	25
2020 final	141	0.13	24

7. Earnings

7.1 Value Creation for Shareholders

	2025	2024	Change %
Net asset value per share (LKR)	**18.8**	18.3	2.4
Group earnings per share - Basic (LKR)	**0.6**	0.3	100
Market price per share as at 31st December (LKR) closing	**14.9**	11.7	27.4

Net Interest Income (NII) and Net Interest Margin (NIM)



7.2 Market Value

	2025	2024	2023	2022	2021
Lowest market price (LKR)	**9.40**	8.50	6.70	4.30	10.00
Highest market price (LKR)	**18.00**	12.20	12.40	13.30	17.00
Closing price as at 31st December (LKR)	**14.90**	11.70	10.00	6.60	11.10

8. Directors' Shareholding Including the Chief Executive Officer

None of the Directors, including the Chief Executive Officer, held any shares in the Bank as at 31st December 2025.

9. Material Foreseeable Risk Factors

Information relating to the material foreseeable risk factors requiring disclosures under Rule No. 7.6 (vi) of the Listing Rules of the CSE is presented in the 'Risk Management' section on pages 192 to 212.

10. Material Issues Pertaining to Employees and Industrial Relations

There were no material issues pertaining to employees and industrial relations affecting the Bank during the year 2025 that warranted disclosure.

11. Credit Ratings

Fitch Ratings: – BBB- (lka)

12. Compliance Report in Terms of Section 7.6 of the CSE Listing Rules - Contents of Annual Report in Terms of the Listing Rules of the CSE

Tabulated below is the Bank's compliance with the disclosure requirements specified under Section 7.6 of the Listing Rules of the CSE. The table outlines each mandatory disclosure item, the Bank's level of compliance, and the corresponding page reference within this Annual Report.

Rule No.	Disclosure Requirements	Section Reference	Page/s
7.6 (i)	Names of persons who were Directors of the Entity during the financial year.	Annual Report of the Board of Directors on the Affairs of the Company	181
7.6(ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein.	Note 1.2 of the Accounting Policies Annual Report of the Board of Directors on the Affairs of the Company	229 178
7.6(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares denominated in LKR or any other class of shares denominated in Foreign Currency and the percentage of such shares held.	Item 5.1 of the 'Investor Relations'	359
7.6(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Item 5.2 of the 'Investor Relations'	360
7.6(v)	Directors' and Chief Executive Officer's holding in shares of the Entity.	Item 8 of the 'Investor Relations' Annual Report of the Board of Directors on the Affairs of the Company	361 183
7.6(vi)	Information pertaining to material foreseeable risk factors of the Entity.	Item 9 of the 'Investor Relations'	361
7.6(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Item 10 of the 'Investor Relations'	361

Investor Relations

Rule No.	Disclosure Requirements	Section Reference	Page/s
7.6(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties as at the end of the financial year.	Note 34 to the Financial Statements on 'Property, Plant and Equipment' and 'Right of use Assets'	283 283-286
7.6(ix)	Number of shares representing the Entity's stated capital as at the end of the financial year.	Note 42 to the Financial Statements on 'Stated Capital'	296
7.6(x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as the end of the financial year.	Item 3.1 of the 'Investor Relations'	357
7.6(xi)	Ratios and market price information on:		
	Equity: Dividend per share, Dividend payout ratio, Net asset value per share, Market value per share (highest and lowest values during the financial year and the value as at the end of the financial year).	Financial Highlights Statement of Financial Position Items 6 and 7 of the 'Investor Relations'	8 224 360
	Debt: Interest rate of comparable Government security, Debt/ equity ratio, Interest cover, Quick asset ratio, market prices and yield during the year (highest and lowest prices and last traded price).	Not applicable as the Bank has not issued any listed debt securities.	N/A
	Changes in credit ratings.	Item 11 of the 'Investor Relations'	361
7.6(xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value as at the end of the year.	Note 34 to the Financial Statements on 'Property, Plant and Equipment' and 'Right of use of Assets'	283 283-286
7.6(xiii)	Details of funds raised through an Initial Public Offering and/or a further issue of Securities during the financial year.	Not applicable as no funds were raised by the Bank through an Initial Public Offering and/or further issue of Securities during the year.	N/A
7.6(xiv)	Information in respect of Employee Share Option, Share Purchase Schemes:	Note 44 to the Financial Statements.	298-300
	The number of options granted to each category of Employees during the financial year.	No options were granted during the Financial Year.	298-300
	Total number of options vested but not exercised by each category of Employees during the financial year.	No options were vested and exercised during the Financial Year.	298-300
	Total number of options exercised by each category of Employees and total number of shares arising therefrom during the financial year.	No options were exercised by employees during the Financial Year.	298-300
	Options cancelled during the financial year and the reasons for such cancellation.	No cancellations were reported during the Financial Year.	298-300
	The exercise price.	No options were exercised by employees during the Financial Year.	298-300
	A declaration by the Directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly provided funds for the ESOP.	Annual Report of the Board of Directors on Affairs of the Company.	185

Rule No.	Disclosure Requirements	Section Reference	Page/s
7.6(xv)	Disclosures pertaining to Corporate Governance Practices in terms of Section 9 of the Rules	Annual Report of the Board of Directors on Affairs of the Company Corporate Governance Report Profiles of the Board of Directors Report of the Board Audit Committee Report of the Human Resources and Remuneration Committee Notes to the Financial Statements.	 178 - 186 120 - 130 106 - 109 162 - 164 172 229
7.6(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	The Bank did not have any related party transactions exceeding this threshold as at 31 December 2025.	N/A

Union Bank of Colombo PLC
Company Secretarial Division
9th Floor, No. 64, Galle Road,
Colombo 3, Sri Lanka.
Tel: +94 11 2374100
(Monday to Friday 8.30 a.m. to 5.00 p.m.)
https://www.unionb.com

Useful Links
Colombo Stock Exchange
http://www.cse.lk

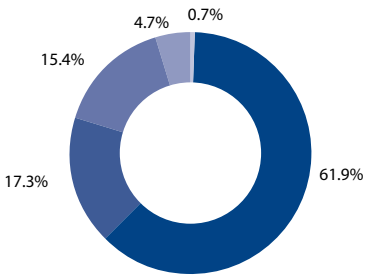
Fitch Ratings Lanka Limited
http://www.fitchratings.lk

Direct Economic Value Generated & Distributed

Disclosure 201-1

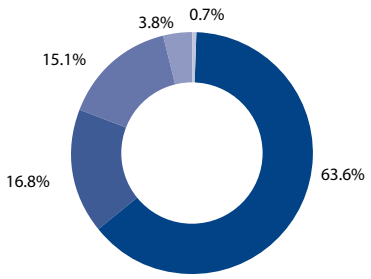
For the year 31 December	2025 LKR '000	2024 LKR '000
Direct Economic Value Generated		
Interest Income	**15,130,283**	14,008,163
Net Fee Commission Income	**1,545,215**	1,152,379
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	**1,350**	133,668
Net gains/(losses) from financial investments	**596,707**	737,131
Other Operating Income	**496,880**	27,926
	17,770,435	16,059,267
Economic Value Distributed		
To Depositors & Lenders as an interest	**9,492,299**	9,181,644
To Employees as Emoluments		
- Salary, bonus & contribution plans	**2,056,828**	1,815,982
- Benefits	**592,811**	608,004
To providers of Supplies & Services	**2,355,410**	2,186,180
	14,497,348	13,791,810
To Government as Taxation		
Corporate Tax	**685,895**	227,369
VAT on Financial Services	**626,833**	482,440
Social Security Contribution Levy	**87,060**	67,006
Crop Insurance Levy	**5,681**	3,006
Stamp duty & other local taxes	**2,870**	1,977
To Central Bank of Sri Lanka as Deposit Insurance premium	**109,278**	96,281
	1,517,617	878,079
Economic Value Retained	**1,755,470**	1,389,378

Economic Value Distributed - 2025



To Depositors & Lenders as an interest
To Employees as Emoluments
To providers of Supplies & Services
To Government as Taxation
To Central Bank of Sri Lanka as Deposit Insurance premium

Economic Value Distributed - 2024



To Depositors & Lenders as an interest
To Employees as Emoluments
To providers of Supplies & Services
To Government as Taxation
To Central Bank of Sri Lanka as Deposit Insurance premium

Repurchase and Reverse Repurchase Transactions in Scripless Treasury Bonds and Scripless Treasury Bills

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires licensed Banks/primary dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills.

Carrying value of securities allocated for repurchase transactions

	2025		2024	
As at 31 December	Amortised Cost LKR '000	Fair Value LKR '000	Amortised Cost LKR '000	Fair Value LKR '000
Repurchase agreements	**14,387,369**	**16,025,606**	13,178,867	14,304,520

Market value of securities received for reverse repurchase transactions

Securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid including accrued interest is recorded in the Statement of Financial Position within "Reverse repurchase agreements.

	2025		2024	
As at 31 December	Amortised Cost LKR '000	Fair Value LKR '000	Amortised Cost LKR '000	Fair Value LKR '000
Repurchase agreements	**370,074**	**370,074**	562,470	630,864

Bank's policy on haircuts for repurchase and reverse repurchase transactions

According to the Bank's internal policies, minimum haircuts applicable for each maturity bucket as at 31 December 2024 is given below. The haircuts applied meet the minimum haircut requirements imposed by the Directive No. 1 of 2019.

	2025	
Remaining term to maturity of the eligible security	Repurchase Transactions	Reverse Repurchase Transactions
Up to 1 year	**10%**	**10%**
More than 1 year and up to 3 years	**10%**	**10%**
More than 3 years and up to 5 years	**10%**	**10%**
More than 5 years and up to 8 years	**10%**	**10%**
More than 8 years	**12%**	**12%**

Pillar III Market Disclosures

KEY REGULATORY RATIOS - CAPITAL AND LIQUIDITY

	BANK		GROUP	
As at 31 December	2025	2024	2025	2024
Regulatory Capital (LKR '000)				
Common Equity Tier 1	**15,160,188**	14,775,811	**17,750,551**	17,100,703
Tier 1 Capital	**15,160,188**	14,775,811	**17,750,551**	17,100,703
Total Capital	**16,490,037**	15,742,925	**19,178,794**	18,132,523
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III - 7%)	**12.17%**	15.61%	**13.23%**	16.87%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III - 8.5%)	**12.17%**	15.61%	**13.23%**	16.87%
Total Capital Ratio (Minimum Requirement as per Basel III - 12.5%)	**13.23%**	16.63%	**14.29%**	17.89%
Leverage Ratio (Minimum Requirement - 3%)	**7.19%**	8.33%	**7.87%**	9.09%
Regulatory Liquidity				
Liquidity Coverage Ratio (%) (Minimum Requirement - 100%)				
Rupee	**160.27%**	565.92%		
All Currency	**153.84%**	486.62%		
Net Stable Funding Ratio (%) (Minimum Requirement - 100%)	**128.26%**	136.02%		

BASEL III COMPUTATION OF CAPITAL RATIO

	BANK		GROUP	
As at 31 December	2025 LKR '000	2024 LKR '000	2025 LKR '000	2024 LKR '000
Common Equity Tier I (CETI) Capital after adjustments	**15,160,188**	14,775,811	**17,750,551**	17,100,703
Total Common Equity Tier I (CET1) Capital	**20,321,571**	19,840,358	**20,354,293**	19,696,743
Equity capital or stated capital/assigned capital	**16,334,782**	16,334,782	**16,334,782**	16,334,782
Reserve fund	**324,887**	292,152	**354,492**	319,758
Published retained earnings	**3,421,866**	2,771,202	**3,339,874**	2,537,465
Published accumulated other comprehensive income (OCI)	**174,552**	333,875	**186,787**	346,111
General and other disclosed reserves	**65,484**	108,347	**65,484**	108,347
Unpublished current year's profit/(loss) and gains reflected in OCI	**-**	-	**-**	-
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**-**	-	**72,873**	50,280
Total adjustments to CET1 Capital	**5,161,383**	5,064,547	**2,603,742**	2,596,040
Goodwill (net)	**-**	-	**113,031**	113,031
Other intangible assets (net)	**1,403,631**	1,615,194	**1,627,506**	1,828,430
Deferred tax assets (net)	**814,344**	582,377	**863,205**	654,579
Significant investments in the capital of financial institutions where the Bank owns more than 10 per cent of the issued ordinary share capital of the entity	**2,943,408**	2,866,977	**-**	-
Shortfall of capital in financial subsidiaries	**-**	-	**-**	-
Additional Tier 1 (AT1) Capital after adjustments	**-**	-	**-**	-
Total Additional Tier 1 (ATI) Capital	**-**	-	**-**	-
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**-**	-	**-**	-
Total adjustments to AT1 Capital	**-**	-	**-**	-
Regulatory adjustments applied to AT1 due to insufficient Tier 2 capital to cover adjustments	**-**	-	**-**	-
Tier 2 Capital after adjustments	**1,329,849**	967,114	**1,428,243**	1,031,821
Total Tier 2 Capital	**1,329,849**	967,114	**1,428,243**	1,031,821
Impairment provision	**1,329,849**	967,114	**1,428,243**	1,031,821
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	**-**	-	**-**	-
Total adjustments to Tier 2 Capital	**-**	-	**-**	-
Investments in the capital of financial institutions and where the bank own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	**-**	-	**-**	-
CET1 Capital	**15,160,188**	14,775,811	**17,750,551**	17,100,703
Total Tier 1 Capital	**15,160,188**	14,775,811	**17,750,551**	17,100,703
Total Capital	**16,490,037**	15,742,925	**19,178,794**	18,132,523

Pillar III Market Disclosures

As at 31 December	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Total Risk Weighted Assets (RWAs)	**124,614,657**	94,670,047	**134,188,062**	101,371,429
RWAs for Credit Risk	**106,387,931**	77,369,125	**114,259,473**	82,545,643
RWAs for Market Risk	**8,656,169**	7,939,872	**8,891,263**	8,160,527
RWAs for Operational Risk	**9,570,557**	9,361,050	**11,037,327**	10,665,259
CET1 Capital Ratio (including Capital Conservation Buffer,Countercyclical Capital Buffer & Surcharge on D-SIBs)(%)	**12.17%**	15.61%	**13.23%**	16.87%
of which : Capital Conservation Buffer (%)	**2.50%**	2.50%	**2.50%**	2.50%
of which : Countercyclical Buffer (%)	**-**	-	**-**	-
of which : Capital Surcharge on D-SIBs (%)	**N/A**	N/A	**N/A**	N/A
Total Tier 1 Capital Ratio (%)	**12.17%**	15.61%	**13.23%**	16.87%
Total Capital Ratio (including Capital Conservation Buffer,Countercyclical Capital Buffer & Surcharge on D-SIBs)(%)	**13.23%**	16.63%	**14.29%**	17.89%
of which : Capital Conservation Buffer (%)	**2.50%**	2.50%	**2.50%**	2.50%
of which : Countercyclical Buffer (%)	**-**	-	**-**	-
of which : Capital Surcharge on D-SIBs (%)	**N/A**	N/A	**N/A**	N/A

BASEL III COMPUTATION OF LEVERAGE RATIO

As at 31 December	BANK 2025 LKR '000	BANK 2024 LKR '000	GROUP 2025 LKR '000	GROUP 2024 LKR '000
Tier 1 Capital	**15,160,188**	14,775,811	**17,750,551**	17,100,703
Total Exposure	**210,717,522**	177,313,358	**225,457,151**	188,184,412
On-balance sheet items (excluding Derivatives and Securities Financing Transactions, but including collateral)	**165,465,779**	141,419,625	**180,205,408**	152,290,678
Derivative exposures	**18,361,519**	14,658,948	**18,361,519**	14,658,948
Securities Financing Transaction exposures	**17,930,394**	14,336,731	**17,930,394**	14,336,732
Other off -balance sheet exposures	**8,959,830**	6,898,054	**8,959,830**	6,898,054
Leverage Ratio, (%) (Tier 1 Capital /Total Exposure)	**7.19%**	8.33%	**7.87%**	9.09%

BASEL III COMPUTATION OF NET STABLE FUNDING RATIO

As at 31 December	BANK 2025 LKR '000	BANK 2024 LKR '000
Total available stable funding (ASF)	**114,867,270**	106,035,831
Total required stable funding (RSF)	**89,556,148**	77,957,965
Required stable funding - On balance sheet assets	**88,617,935**	77,184,701
Required stable funding - Off balance sheet items	**938,213**	773,264
Net Stable Funding Ratio, (%) (Total available stable funding / Total required stable funding)*100	**128.26%**	136.02%

BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO - BANK

As at 31 December	2025		2024	
	Total Un-weighted Value LKR '000	Total Weighted Value LKR '000	Total Un-weighted Value LKR '000	Total Weighted Value LKR '000
Total stock of High-Quality Liquid Assets (HQLA)	**32,386,708**	**30,756,195**	40,024,265	38,970,417
Total Adjusted Level 1A Assets	**32,386,708**	**32,386,708**	40,024,265	40,024,265
Level 1 Assets	**30,756,195**	**30,756,195**	38,970,417	38,970,417
Total Adjusted Level 2A Assets	**-**	**-**	-	-
Level 2A Assets	**-**	**-**	-	-
Total Adjusted Level 2B Assets	**-**	**-**	-	-
Level 2B Assets	**-**	**-**	-	-
Total Cash Outflows	**157,852,741**	**33,911,407**	133,602,466	22,492,342
Deposits	**87,960,474**	**7,978,792**	81,462,616	7,263,233
Unsecured wholesale funding	**34,907,704**	**20,977,485**	24,871,553	13,058,240
Secured funding transaction	**-**	**-**	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	**34,979,661**	**4,950,227**	27,050,402	1,952,974
Additional requirements	**4,903**	**4,903**	217,895	217,895
Total Cash inflows	**20,236,171**	**13,919,600**	21,858,429	14,483,997
Maturing secured lending transactions backed by collateral	**3,557,375**	**3,557,375**	2,901,893	2,901,893
Committed facilities	**-**	**-**	-	-
Other inflows by counterparty which are maturing within 30 days	**15,606,717**	**10,321,508**	18,496,311	11,550,808
Operational deposits	**1,031,362**	**-**	428,929	-
Other cash inflows	**40,716**	**40,716**	31,296	31,296
Liquidity Coverage Ratio,(%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days)*100		**153.84%**		486.62%

Pillar III Market Disclosures

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

As at 31 December	2025	
	BANK LKR '000	GROUP LKR '000
Description of the Capital Instrument	-	-
Issuer	-	-
Unique identifier	-	-
Governing Law(s) of the instrument	-	-
Orginal Date of issuance	-	-
Par Value of instrument	-	-
Perpetual or dated	-	-
Orginal maturity date (if applicable)	-	-
Amount recognised in regulatory capital	16,490,037*	19,178,794*
Accounting classification (equity/liability)	Equity	Equity
Issuer Call subject to prior supervisory approval	-	-
Optional call date, contingent call dates and redemption amount	-	-
Subsequent call dates, if applicable	-	-
Coupons/Dividends	-	-
Fixed or floating dividend/coupon	-	-
Coupon rate and any related index	-	-
Non-cumulative or cumulative	-	-
Convertible or Non-Convertible	-	-
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, mandatory or optional	-	-
If convertible, conversion rate	-	-

Note :

* Tier 1 & Tier 2 Instruments other than equity have not been issued.

CURRENT AND FUTURE CAPITAL REQUIREMENT

1) Overview of capital planning and assessment process	The capital management plan of the Bank is integrated with the Bank's rolling strategic plan and the Internal Capital Adequacy Assessment Process (ICAAP). In the planning process, the Bank is actively realigning portfolios to optimise capital utilisation.
2) Material risk exposures in line with the strategic plan	The strategic plan is sensitive to the stability of external variables such as GDP, interest rates, exchange rates and also tax regulations.
3) Current and future capital needs, anticipated capital expenditure and desirable capital level	As at 31st December 2025, with the profits recorded for the year, the Bank is now in compliance with the minimum capital requirement of LKR 20 Bn. The Bank believes in maintaining an optimum capital level as determined the Board and articulated in its Risk Management framework.
4) Internal and external capital sources	The primary source of capital is the internally generated reserves. However, the Bank will tap the Capital Markets from time to time to enhance its Total Capital and Tier I capital base.
5) Assessment of the adequacy of the bank's capital commensurate with all material risks and other capital needs in relation to its current and future activities. General contingency plan for dealing with divergences and unexpected events such as raising additional capital, restricting business activities or using risk mitigation techniques.	The Bank monitors the capital adequacy ratios on a regular basis and ensures that it operates well above the regulatory minimum requirements.

CREDIT RISK UNDER STANDARDISED APPROACH-CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

As at 31 December 2025	BANK					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post (CCF) and CRM		RWA and RWA Density	
Asset Classes	On-Balance Sheet Amount LKR '000	Off-Balance Sheet Amount LKR '000	On-Balance Sheet Amount LKR '000	Off-Balance Sheet Amount LKR '000	RWA LKR '000	RWA Density %
Claims on Central Government and Central Bank of Sri Lanka	16,900,572	-	16,900,572	61,292	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks exposures	2,897,268	6,567,044	2,897,268	70,049	634,970	21.40%
Claims on financial institutions	7,182,998	1,194,630	7,182,998	557,568	5,247,921	67.80%
Claims on corporates	28,620,031	18,403,806	28,620,031	5,399,854	31,606,057	92.90%
Retail claims	29,569,670	15,521,054	25,766,842	3,012,623	20,473,504	71.14%
Claims secured by residential property	18,173,262	-	18,173,262	-	16,018,715	88.14%
Claims secured by commercial real estate	13,652,340	-	13,652,340	-	13,652,340	100.00%
Non-Performing Assets (NPAs)	10,719,183	-	10,719,183	-	13,868,574	129.38%
Higher-risk categories	181,036	-	181,036	-	452,590	250.00%
Cash Items and other assets	11,846,287	-	6,825,654	-	4,433,260	64.95%
Total	139,742,647	41,686,535	130,919,187	9,101,386	106,387,931	81.26%

As at 31 December 2025	GROUP					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post (CCF) and CRM		RWA and RWA Density	
Asset Classes	On-Balance Sheet Amount LKR '000	Off-Balance Sheet Amount LKR '000	On-Balance Sheet Amount LKR '000	Off-Balance Sheet Amount LKR '000	RWA LKR '000	RWA Density %
Claims on Central Government and Central Bank of Sri Lanka	17,578,235	-	17,578,235	61,292	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks exposures	3,148,953	6,567,044	3,148,953	70,049	685,307	21.76%
Claims on financial institutions	7,012,299	1,194,630	7,012,299	557,568	5,077,222	72.40%
Claims on corporates	28,620,031	18,403,806	28,620,031	5,399,854	31,606,057	110.43%
Retail claims	40,457,337	15,521,054	36,654,510	3,012,623	26,947,961	73.52%
Claims secured by residential property	18,400,508	-	18,400,508	-	16,245,473	88.29%
Claims secured by commercial real estate	13,652,340	-	13,652,340	-	13,652,340	100.00%
Non-Performing Assets (NPAs)	11,487,787	-	11,487,787	-	14,647,838	127.51%
Higher-risk categories	35,008	-	35,008	-	52,511	150.00%
Cash Items and other assets	13,970,597	-	7,787,222	-	5,344,763	68.64%
Total	154,363,096	41,686,535	144,376,894	9,101,386	114,259,473	79.14%

Note :
RWA Density-Total RWA/Exposures post CCF and CRM

Pillar III Market Disclosures

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

As at 31 December 2025 — **BANK**

Asset Classes \ Risk Weight	Post CCF & CRM							
	0%	20%	50%	75%	100%	150%	>150%	Total Credit Exposures Amount
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Claims on Central Government and Central Bank of Sri Lanka	16,961,864	-	-	-	-	-	-	16,961,864
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks(MDBs)	-	-	-	-	-	-	-	-
Claims on Banks exposures	-	2,915,433	-	-	51,884	-	-	2,967,317
Claims on financial institutions	-	-	4,985,290	-	2,755,276	-	-	7,740,566
Claims on corporates	-	1,568,398	2,318,220	-	30,133,267	-	-	34,019,885
Retail claims	3,385,928	2,636,582	-	11,157,704	11,599,251	-	-	28,779,466
Claims secured by residential property	-	-	3,314,688	-	14,858,575	-	-	18,173,262
Claims secured by commercial real estate	-	-	-	-	13,652,340	-	-	13,652,340
Non-Performing Assets (NPAs)	-	-	170,523	-	4,079,356	6,469,304	-	10,719,183
Higher-risk categories	-	-	-	-	-	-	181,036	181,036
Cash items and other assets	2,392,394	-	-	-	4,433,260	-	-	6,825,654
Total	22,740,187	7,120,413	10,788,721	11,157,704	81,563,208	6,469,304	181,036	140,020,573

As at 31 December 2025 — **GROUP**

Asset Classes \ Risk Weight	Post CCF & CRM							
	0%	20%	50%	75%	100%	150%	>150%	Total Credit Exposures Amount
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Claims on Central Government and Central Bank of Sri Lanka	17,639,527	-	-	-	-	-	-	17,639,527
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks(MDBs)	-	-	-	-	-	-	-	-
Claims on Banks exposures	-	3,167,119	-	-	51,884	-	-	3,219,002
Claims on financial institutions	-	-	4,985,290	-	2,584,577	-	-	7,569,867
Claims on corporates	-	1,568,398	2,318,220	-	30,133,267	-	-	34,019,885
Retail claims	5,507,388	2,818,763	-	19,741,732	11,599,251	-	-	39,667,134
Claims secured by residential property	-	-	3,315,437	-	15,085,070	-	-	18,400,508
Claims secured by commercial real estate	-	-	-	-	13,652,340	-	-	13,652,340
Non-Performing Assets (NPAs)	-	-	258,397	-	4,650,891	6,578,499	-	11,487,787
Higher-risk categories	-	-	-	-	-	35,008	-	35,008
Cash items and other assets	2,442,460	-	-	-	5,344,763	-	-	7,787,222
Total	25,589,375	7,554,280	10,877,345	19,741,732	83,102,042	6,613,507	-	153,478,280

MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

As at 31 December 2025	Risk Weighted Assets	
	BANK	GROUP
	LKR '000	LKR '000
(a) RWA for Interest Rate Risk	613,091	613,091
General Interest Rate Risk	613,091	613,091
(I) Net Long or Short Position	613,091	613,091
(II) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b) RWA for Equity	310,833	340,220
(i) General Equity Risk	155,417	170,110
(ii) Specific Equity Risk	155,417	170,110
(C) RWA for Foreign Exchange & Gold	158,097	158,097
Capital Charge for Market Risk [(a)+(b)+ (c)] * CAR	8,656,169	8,891,263

OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

As at 31 December 2025	BANK					GROUP			
	Capital Charge Factor	Fixed Factor	Gross Income			Capital Charge Factor	Gross Income		
			1st Year LKR '000	2nd Year LKR '000	3rd Year LKR '000		1st Year LKR '000	2nd Year LKR '000	3rd Year LKR '000
The Basic Indicator Approach	15%		8,523,860	7,050,110	8,352,422	15%	10,050,536	8,100,131	9,442,649
The Standardised Approach			-	-	-		-	-	-
Corporate finance	18%		-	-	-	18%	-	-	-
Trading and sales	18%		-	-	-	18%	-	-	-
Payment and settlement	18%		-	-	-	18%	-	-	-
Agency services	15%		-	-	-	15%	-	-	-
Asset management	12%		-	-	-	12%	-	-	-
Retail brokerage	12%		-	-	-	12%	-	-	-
Retail banking	12%		-	-	-	12%	-	-	-
Commercial banking	15%		-	-	-	15%	-	-	-
The Alternative Standardised Approach									
Corporate finance	18%		-	-	-	18%	-	-	-
Trading and sales	18%		-	-	-	18%	-	-	-
Payment and settlement	18%		-	-	-	18%	-	-	-
Agency services	15%		-	-	-	15%	-	-	-
Asset management	12%		-	-	-	12%	-	-	-
Retail brokerage	12%		-	-	-	12%	-	-	-
Retail banking	12%	0.035	-	-	-	12%	-	-	-
Commercial banking	15%	0.035	-	-	-	15%	-	-	-
Capital Charges for Operational Risk (LKR'000)									
The Basic Indicator Approach	1,196,320					1,379,666			
The Standardised Approach									
The Alternative Standardised Approach									
Risk-Weighted Amount for Operational Risk (LKR'000)									
The Basic Indicator Approach	9,570,557					11,037,327			
The Standardised Approach									
The Alternative Standardised Approach									

Compliance with Annual Report Disclosure Requirements of Central Bank of Sri Lanka

Given below is the state of compliance with the Disclosure requirements specified by the Central Bank of Sri Lanka for the preparation of Annual Financial Statements of Licensed Commercial Banks.

1. Information about the significance of financial instruments for financial position and performance	
1.1 Statement of Financial Position	
1.1.1 Disclosures on categories of financial assets and financial liabilities	
1.1.2 Other disclosures	
(i) Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	N/A
(ii) Reclassifications of financial instruments from one category to another.	Note 28.1.1
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note 47
(iv) Reconciliation of the impairment allowance account for credit losses by class of financial assets.	Note 27.5.2
(v) Information about compound financial instruments with multiple embedded derivatives.	N/A
(vi) Breaches of terms of loan agreements.	N/A
1.2 Statement of Comprehensive Income	
1.2.1 Disclosures on items of income, expense, gains and losses	*Note 6,7,8, 9,10,11,12,13,14 & 15*
1.2.2 Other disclosures:	
(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit or loss.	Note 7
(ii) Fee income and expense.	Note 8
(iii) Amount of impairment losses by class of financial assets.	Note 12
(iv) Interest income on impaired financial assets.	Note 7.1
1.3 Other disclosures	
1.3.1 Accounting policies for financial instruments	*Note 3.2, 3.4, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9*
1.3.2 Financial liabilities designated as at FVTPL	
(i) If a bank is presenting the effects of changes in that financial liability's credit risk in other comprehensive income (OCI): (a) Any transfers of the cumulative gain/loss within equity during the period, including the reasons for the transfers; (b) If the liability is derecognised during the period, then the amount (if any) presented in OCI that was realised at derecognition; (c) Detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss; and (ii) Detailed description, if the effects of changes in a liability's credit risk are presented in profit or loss.	N/A
1.3.3 Investments in equity instruments designated as at FVOCI	
(i) Details of equity instruments that have been designated as at FVOCI and the reasons for the designation; (ii) Fair value of each investment at the reporting date; (iii) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date; (iv) Any transfers of the cumulative gain or loss within equity during the period and the reasons for those transfers; (v) If investments in equity instruments measured at FVOCI are derecognised during the reporting period, (a) reasons for disposing of the investments; (b) fair value of the investments at the date of derecognition; and (c) the cumulative gain or loss on disposal.	Note 29

1.3.4 Reclassifications of financial assets	
(i) For all reclassifications of financial assets in the current or previous reporting period: • date of reclassification; • detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements; and • the amount reclassified into and out of each category.	Note 28.1.1
(ii) For reclassifications from FVTPL to amortised cost or FVOCI: • the effective interest rate (EIR) determined on the date of reclassification; and • the interest revenue recognised.	N/A
(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI: • the fair value of the financial assets at the reporting date; and • the fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	Note 28.1.1
1.3.5 Information on hedge accounting	N/A
1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:	
(i) Comparable carrying amounts.	Note 51
(ii) Description of how fair value was determined.	Note 51
(iii) The level of inputs used in determining fair value.	Note 51
(iv) Reconciliation of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments for which fair value is determined using level 3 inputs.	Note 51
(v) Information if fair value cannot be reliably measured.	N/A
2. Information about the nature and extent of risks arising from financial instruments	
2.1 Qualitative disclosures	
2.1.1 Risk exposures for each type of financial instrument	*Note 53 - Risk Management*
2.1.2 Management's objectives, policies, and processes for managing those risks	*Note 53 - Risk Management*
2.1.3 Changes from the prior period	*Note 53 - Risk Management*
2.2 Quantitative disclosures	
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date.	*Note 53 - Risk Management*
2.2.2 Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.	

Compliance with Annual Report Disclosure Requirements of Central Bank of Sri Lanka

(i) Credit Risk (a) Maximum amount of exposure (before deducting the value of collateral), description of the collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets. (b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset. (c) Information about collateral or other credit enhancements obtained or called. (d) Credit risk management practices: • Information about credit risk management practices and how they relate to the recognition and measurement of expected credit losses (ECL), including the methods, assumptions and information used to measure ECL. • Quantitative and qualitative information to evaluate the amounts in the financial statements arising from ECL, including changes and the reasons for those changes. • How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition, including whether and how financial instruments are considered to have low credit risk, including the classes of financial instruments to which the low credit risk exception has been applied; and the presumption that financial assets with contractual payments more than 30 days past due have a significant increase in credit risk has been rebutted; • The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions; • How instruments are grouped if ECL are measured on a collective basis; • How the Bank determines that financial assets are credit-impaired; • The Bank's write-off policy, including the indicators that there is no reasonable expectation of recovery; and • How the modification requirements have been applied, including how the Bank determines whether the credit risk of a financial asset that has been modified while subject to a lifetime ECL allowance has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month ECL and monitors the extent to which the loss allowance on those assets subsequently reverts to being measured at an amount equal to lifetime ECL.	Note 27 and Note 28 Note 4.8 - Impairment of Financial Assets and Note 53.2 – Risk Management

e) ECL calculations • Basis of the inputs, assumptions and the estimation techniques used when, ▪ estimating 12-month and lifetime ECL; ▪ determining whether the credit risk of financial instruments has increased significantly since initial recognition; and ▪ determining whether financial assets are credit-impaired. • How forward-looking information has been incorporated into the determination of ECL, including the use of macro-economic information; and • changes in estimation techniques or significant assumptions made during the reporting period and the reasons for those changes. (f) Amounts arising from ECL • Provide reconciliation for each class of financial instrument [Financial assets measured at AC, Financial assets mandatorily measured at FVOCI, Loan commitments when there is an obligation to extend credit (except those measured at Fair Value through Profit or Loss), Financial guarantee contracts (except those measured at Fair Value through Profit or Loss), Lease receivables within the scope of LKAS 16: Leases, Contract assets within the scope of SLFRS 15: Revenue from contracts with customers etc.] of the opening balance to the closing balance of the impairment loss allowance. • Explain the reasons for changes in the loss allowances in the reconciliation.	Note 27 Note 4.8
(g) Collaterals • Amount that best represents the Bank's maximum exposure to credit risk at the reporting date, without taking account of any collateral held or other credit enhancements; • Narrative description of collateral held as security and other credit enhancements (except for lease receivables), including: ▪ discussion on the nature and quality of the collaterals held; ▪ explanation of any significant changes in quality as a result of a deterioration or changes in the Bank's collateral policies during the reporting period; ▪ information about financial instruments for which the Bank has not recognised a loss allowance because of the collateral; ▪ quantitative information about the collateral held as security and other credit enhancements; ▪ Information about the fair value of the collateral and other credit enhancements, or to quantify the exact value of the collateral that was included in calculation of ECL. (h) Written-off assets • Contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity.	Note 53.2
(i) For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Market disclosures – Page 378
(ii) Liquidity Risk (a) A maturity analysis of financial assets and liabilities. (b) Description of approach to risk management. (c) For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 53.3 – Risk Management Note 53.3 – Risk Management Market disclosures – Page 378
(iii) Market Risk (a) A sensitivity analysis of each type of market risk to which the entity is exposed. (b) Additional information, if the sensitivity analysis is not representative of the entity's risk exposure. (c) For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	 Note 53.4 N/A
(iv) Operational Risk For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 53 and Market disclosures - Page 378

Compliance with Annual Report Disclosure Requirements of Central Bank of Sri Lanka

(v) Equity risk in the Banking book (a) Qualitative disclosures • Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. • Discussion of important policies covering the valuation and accounting of equity holdings in the Banking book. (b) Quantitative disclosures • Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value. • The types and nature of investments • The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	N/A
(vi) Interest rate risk in the Banking book (a) Qualitative disclosures Nature of interest rate risk in the Banking book (IRRBB) and key assumptions (b) Quantitative disclosures The increase/ (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Note 53.4.2 - Risk Management
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3. Market Disclosures	
3.1 Regulatory Requirements on Capital and Liquidity	
(i) Key Regulatory Ratios - Capital and Liquidity	Page 366
(ii) Basel III Computation of Capital Ratios	Page 367
(iii) Basel III Computation of Liquidity Coverage Ratio	Page 369
(iv) Main Features of Regulatory Capital Instruments	Page 370
3.2 Risk Weighted Assets (RWA)	
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(ii) Credit Risk under Standardised Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects	Page 371
(iii) Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights	Page 372
(iv) Market Risk under Standardised Measurement Method	Page 373
(v) Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardised Approach	Page 373

GRI Content Index

Statement of use	Union Bank Colombo PLC has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION (PAGE)	OMISSION		
				REQUIREMENT(S)	REASONS	EXPLAINATION
General disclosures						
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	Disclosure 2-1	Organizational Details	Inner Back Cover, 6			
	Disclosure 2-2	Entities included in the organization's sustainability reporting	40			
	Disclosure 2-3	Reporting period, frequency and contact point	4 to 5			
	Disclosure 2-4	Restatements of Information	4			
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	Disclosure 2-6	Activities, value chain and other business relationships	18 to 19, 86 to 87, 91 to 92			
	Disclosure 2-7	Employees	73			
	Disclosure 2-8	Workers who are not employees	74			
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	Disclosure 2-9	Governance Structure and Composition	106 to 109, 121, 123			
	Disclosure 2-10	Nomination and selection of the highest governance body	124			
	Disclosure 2-11	Chair of the highest governance body	106			
	Disclosure 2-12	Role of the highest governance body in overseeing the management of impacts	126 to 127			
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	Disclosure 2-14	Role of the highest governance body in sustainability reporting	5, 40, 41, 127			
	Disclosure 2-15	Conflicts of interest	129			

GRI Content Index

Statement of use	Union Bank Colombo PLC has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION (PAGE)	OMISSION		
				REQUIREMENT(S)	REASONS	EXPLAINATION
	Disclosure 2-16	Communication of critical concerns	130			
	Disclosure 2-17	Collective knowledge of the highest governance body	41			
	Disclosure 2-18	Evaluation of the performance of the highest governance body	125			
	Disclosure 2-19	Remuneration policies	127, 172			
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	Disclosure 2-21	Annual total compensation ratio	-		*	**
	Strategies, policies and practices					
	Disclosure 2-22	Statement on sustainable development strategy	12 - 13			
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	Disclosure 2-26	Mechanisms for seeking advice and raising concerns	161, 208			
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	Stakeholder Engagement					
	Disclosure 2-29	Approach to stakeholder engagement	24 to 26			
	Disclosure 2-30	Collective bargaining agreements	78			
	*Confidentiality Constraints					
	**The Disclosure required sensitive information relevant to individuals, therefore its not possible to disclose					

Statement of use	Union Bank Colombo PLC has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION (PAGE)	OMISSION		
				REQUIREMENT(S)	REASONS	EXPLAINATION
GRI 3 : Material Topics 2021	Disclosure 3-1	Process to determine material topics	27			
	Disclosure 3-2	List of material topics	28			
	Disclosure 3-3	Management of material topics	29 to 33			
Topic Specific Disclosures						
GRI 201 : Economic Performance 2016	Disclosure 201-1	Direct economic value generated and distributed	364			
	Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	46 to 51			
	Disclosure 201-3	Defined benefit plan obligations and other retirement plans	232, 249, 293			
GRI 204 : Procurement Practices 2016	Disclosure 204- 1	Proportion of spending on local suppliers	91			
GRI 206 : Anti-Competitive Behavior 2016	Disclosure 206- 1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	93			
GRI 207 : Tax 2019	Disclosure 207-1	Approach to Tax	30			
	Disclosure 207-2	Tax governance, control and risk management	30			
	Disclosure 207-3	Stakeholder engagement and management of concerns related to Tax	26			
GRI 302 : Energy 2016	Disclosure 302-1	Energy consumption within the organization	100			
	Disclosure 302-3	Energy intensity	100			
GRI 401 : Employment 2016	Disclosure 401-1	New employee hires and employee turnover	75			
	Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	77			
	Disclosure 401-3	Parental Leave	77			

GRI Content Index

Statement of use	Union Bank Colombo PLC has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION (PAGE)	OMISSION		
				REQUIREMENT(S)	REASONS	EXPLAINATION
GRI 402 : Labor/ Management Relations 2016	Disclosure 402-1	Minimum notice periods regarding operational changes	78			
GRI 403 : Occupational Health and Safety 2018	Disclosure 403-1	Occupational health and safety management system	79			
	Disclosure 403-2	Hazard identification, risk assessment, and incident investigation	79			
	Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	79			
GRI 404 : Training and Education 2016	Disclosure 404-1	Average hours of training per year per employee	80			
	Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs	80 to 84			
	Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	76			
GRI 405 : Diversity and Equal Opportunity 2016	Disclosure 405-1	Diversity of governance bodies and employees	79			
	Disclosure 405-2	Ratio of basic salary and remuneration of women to men	78			
GRI 406: Non Discrimination 2016	Disclosure 406-1	Incidents of discrimination and corrective actions taken	79			
GRI 408 : Child Labor 2016	Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labor	91			

Statement of use	Union Bank Colombo PLC has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION (PAGE)	OMISSION		
				REQUIREMENT(S)	REASONS	EXPLAINATION
GRI 409 : Forced or Compulsory Labor 2016	Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	91			
GRI 417 : Marketing and Labelling 2016	Disclosure 417-1	Requirements for product and service information and labelling	89			
	Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	92			
	Disclosure 417-3	Incidents of non-compliance concerning marketing communications	92			
GRI 418 : Customer Privacy 2016	Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	92			

Independent Assurance Report on Sustainability Reporting

Shape the future with confidence

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Independent practitioner's assurance report to the Board of Directors of Union Bank of Colombo PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2025

Scope

We have been engaged by Union Bank of Colombo PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Union Bank of Colombo PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Union Bank of Colombo PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Union Bank of Colombo PLC

In preparing the Subject Matter, Union Bank of Colombo PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at https://www.globalreporting.org

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Union Bank of Colombo PLC's responsibilities

Union Bank of Colombo PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Union Bank of Colombo PLC on 16 February 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

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or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organisation through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Union Bank of Colombo PLC for the year ended 31 December 2025, in order for it to be in accordance with the Criteria.

Ernst + Young

27 February 2026
Colombo

Glossary of Financial Terms

A

Acceptances
The signature on a bill of exchange indicates that the person to whom it is drawn accepts the conditions of the bill. In other words a bill of exchange that has been accepted.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Actuarial Gain/Loss
Gain or Loss arising from the difference between estimates and actual experience in a Company's Pension Plan.

Additional Tier 1 Capital (AT1)
Additional Tier 1 is a component of Tier 1 capital that comprises of securities that are subordinated to most subordinated debt, which have no maturity and their dividends can be cancelled at any time.

Advances to Deposit Ratio (ADR)
Total Loans and Advances expressed as a percentage of total deposit portfolio of the Bank.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost
The amount at which the financial asset of financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use if an allowance account) for impairment or in collectability.

Amounts Due to Customers
Money deposited by account holders. Such funds are recorded as liabilities.

Asset and Liability Committee (ALCO)
A risk-management committee in a bank that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance-sheet allocations.

Assets pledge
Asset used as collateral for a loan. A pledged asset is transferred to the lender from the borrower to secure the debt. Ownership of the asset remains with the borrower during the loan period.

Associates
An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available for Sale Financial Assets
Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding Interest-bearing deposits of commercial banks and the corresponding Interest rates.

Average Weighted Prime Lending Rate (AWPLR)
AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

B

Basel III
The BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on Bank capital adequacy and liquidity.

Basis Point (BP)
One hundredth of a percentage point, i.e.,100bp equals 1%, used in quoting movements in interest rates, security yields, etc.

Bill of Exchange
A signed, written, unconditional order one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of the third person (the Payee). The terms bills of exchange and drafts are often used inter-exchangebly.

Bills of Collection
A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Bonus Issue
The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) in to issued capital and hence does not involve an infusion of cash.

Business Model Assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

C

Call Deposits or Call Money
Deposits or funds lent out which are repayable on demand.

Capital Adequacy Ratio
The percentage of risk-adjusted assets supported by capital as defined under the framework of risk- based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Capital Conservation Buffers (CCBs)
These are mandatory capital buffers that banks should build up during normal times (i.e. outside the period of stress) which can be drawn down during a stressed period.

Capital Gain (Capital Profit)
The gain on the disposal of an asset calculated by deducting the cost of the asset from the proceeds received on its disposal.

Capital Reserves
Capital Reserves consist of revaluation reserves arising from revaluation of properties owned by the Bank and Reserve Fund set aside for specific purposes defined under the Banking Act, No 30 of 1988 and shall not be reduced or impaired without the approval of the Monetary Board.

Cash Equivalents
Short-term highly liquid investments that are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Cash Flows
Cash flows are inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)
The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Ceded Insurance Arrangements
An arrangement where an insurance company passes the part or all of its risks from its insurance policy portfolio to a reinsurance firm.

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

Collectively Assessed Loan Impairment Provisions
Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically, assets within the consumer banking business are assessed on a portfolio basis.

Commercial Paper (CP)
An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitment to Extend Credit
Credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing or through off -balance sheet products such as guarantees and letters of credit.

Commitments
Credit facilities approved but not yet utilised by the clients at the date of Statement of Financial Position.

Common Equity Tier I (CET I) Capital
Consists of stated capital, other capital and revenue reserves. CET I is the element of capital which has the highest quality and the most effective in absorbing losses.

Comprehensive Income
The change in equity of a business enterprise during a period from non-owner sources. This includes all changes in equity during a period except those resulting from investments by owners and distributions to the owners. Comprehensive income equals net income plus other comprehensive income.

Consolidated Financial Statements
Consolidated financial statements are the financial statements of a Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of single economic entity.

Contingencies
A condition or situation existing at the date of the Statement of Financial Position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contract
An agreement between two or more parties that creates enforceable rights and obligations.

Glossary of Financial Terms

Contractual Maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Control
Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank
A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost Method
A method of accounting whereby the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition.

Cost to Income Ratio
Operating expenses excluding impairment for loans and receivables and other losses as a percentage of total operating income.

Country Risk
The risk that a foreign government will not satisfy its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk).

Credit Rating
An evaluation of a corporate ability to repay its obligations or likelihood of not defaulting carried out by an independent rating agency.

Credit Risk
Credit risk or default risk is most simply defined as the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

Credit Risk Mitigation
A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

Currency Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency SWAPs
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customer Deposits
Money deposited by account holders. Such funds are recorded as liabilities.

D

Dealing Securities
These are marketable securities acquired and held with the intention to resale over a short period of time.

Debt Restructuring/Rescheduling
This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.

Deferred Taxation
Sum set aside in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Defined Benefit Obligation
The costs of the defined benefit plans and the present value of its obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and possible future gratuity increases, if any.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquencywhen payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

De-minimis
Features that could impact the cash flows of a financial asset by a de-minimis amount both on a period by period basis and cumulatively.

Density ratio
Risk-weighted assets expressed as a percentage of total exposure.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Derivatives
A derivative is a financial instrument or other contract, the value of which changes inresponse to some underlying variable (e.g., an interest rate).

Diluted Earnings Per Share
The earnings per share that would result if all dilutive securities were converted into common shares.

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover
Profit after tax divided by gross Dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Payout Ratio
It is the percentage of earnings paid to shareholders in dividends.

Dividend Yield
Dividend earned per share as a percentage of its market value.

Documentary Credit (L/Cs)
Written undertakings by a Bank on behalf of its customers (typically an importer), favouring a third party (e.g. an exporter) where the third party could get paid up to a stipulated amount by fulfilling specific terms and conditions. Such undertakings are established for the purpose of facilitating trade.

Documentary Letters of Credit
Commercial letters of credit provided for payment by a bank to the name beneficiary usually the seller of merchandise, against delivery of documents specified in the credit.

Documentary Letters of Credit (LCs)
Written undertakings by a Bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Debt Optimisation Program
The Domestic Debt Optimisation (DDO) program in Sri Lanka is a government initiative to manage and reduce the country's domestic debt amidst a severe economic crisis. It includes restructuring the terms of government bonds, with options like extending the repayment period and reducing the interest rates, to make debt repayment more manageable.

E

Earnings Per Share (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added (EVA)
A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)
Provision for taxation including deferred tax divide by the profit before taxation.

Embedded Derivatives

Equity Instrument
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity Method
This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of investor includes the investor's share of the profit or the loss of the investee.

Equity Risk
The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.

ESOP (Employee Share Option Plan)
A method of giving employees shares in the business for which they work.

Events after the Reporting Period
Events after the Reporting Period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

Ex-Dividend Date
The first date that a share trades without the (i.e. "ex") dividend.

Exercise Price
The fixed price at which an option holder can buy or sell the underlying.

Expected Credit Loss (ECL)
Expected credit loss is outputs of complexmodels with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Loss (LTECL) basis.

The segmentation of financial assets when their ECL is assessed on a collective basis.

Glossary of Financial Terms

Development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Defaults (PDs), Exposure at Defaults (EADs) and Loss Given Defaults (LGDs).

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default (EAD)
Gross carrying amount of financial instruments subject to impairment calculation.

F

Fair Value
Fair Value is the amount for which an asset could be exchanged or liability settled between a knowledgeable willing parties in anarm's length transaction.

Fair Value Adjustment
An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.

Fair Value through Other Comprehensive Income (FVOCI)
Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair Value Through Profit or Loss
A financial assets/liability: Acquired/ incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instrumentsthat are managed together and for which there is evidence of a recent actual pattern of profit taking or derivative (except for a derivative that is a financial guarantee contract).

Finance Lease
A contract whereby a lessor conveys to the lessee the right to use an asset for rent over and agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Asset or Financial Liability at Fair Value through Profit or Loss
Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other Comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Assets Measured at Amortised Cost
A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Guarantee Contract
A Financial Guarantee Contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument
Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial Risk
The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index.

Firm Commitment
A Firm Commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Float Adjusted Market Capitalisation
Float adjusted market capitalisation is the market value of public shareholding of the listed entity.

Forborne Loans
The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Foreign Exchange Incom
The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

Foreign Exchange Profit
Profit earn on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/last date of the Statement of Financial Position and the settlement/date of the Statement of Financial Position. Also arises from trading in foreign currencies.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Forward Looking Information
Incorporation of macroeconomic scenarios into the impairment calculations.

G

Gearing
Long term borrowings divided by the total funds available for shareholders.

General Provisions
General Provisions are established for all Loans and Advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis in accordance with the Regulatory directives.

Global Reporting Initiative (GRI)
The GRI is an international independent standards organisation that helps businesses, governments, and other organisations understand and communicate their impacts on issues such as climate change, human rights, and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Goodwill
An intangible asset that represents the excess of the purchase price of an acquired company over the value of the net assets acquired.

Gross Dividend
The portion of profits distributed to the shareholders including the tax withheld.

Group
A group is a parent and all its subsidiaries and associates.

Guarantees
A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest Rate, Prices and Commodities, etc.).

Held for Trading
Debt and equity investments that are purchased with the intent of selling them mwithin a short period of time (usually less than one year).

High Quality Liquid Assets (HQLA)
Assets that can be easily and immediately converted into cash at little or no loss of value, can be readily sold or used as collateral to obtain funds in a range of stress scenarios, and are unencumbered, i.e., without legal, regulatory or operational impediments.

Historical Cost
Historical cost is the original nominal value of an economic item.

I

Impaired Loans
Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances
Management's best estimate of losses incurred in the loan portfolios at the reporting date.

Impairment Charges for Loan Losses
Amounts set aside against possible losses on loans, receivables and other credit facilities as a result of such facilities becoming partly or wholly uncollectable.

Incremental Borrowing Rate
The rate Bank uses to discount the future lease liabilities in recognition of Lease rentals and Right-of-Use assets.

Glossary of Financial Terms

Incremental Cost
Costs that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Incurred but not Enough Reported (IBNER)
The reserves for claims that become due with the occurrence of the events covered under the insurance policy, but have not been reported yet.

Incurred but not Reported (IBNR)
An estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer.

Individual Impairment
Reviewing individually significant loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

Individually Impaired Asset Cover
Impaired Assets Cover is the ratio of Individual impairment provision to total individually impaired assets.

Individually Significant Loan Impairment Provisions
Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically, assets within the corporate banking business of the Group are assessed individually.

Individually Significant Loans
Exposures which are above a certain threshold decided by the Bank's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Insurance Risk
Risk, other than financial risk, transferred from the holder of a contract to the issuer.

Intangible Asset
An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long term in its economic, social and environmental context.

Interest Cover
A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Earning Assets
Assets on which the Bank earns interest are considered as interest earning assets. These includes Loans and Advances, placements with banks, other interest bearing trading and non trading investments.

Interest Margin
Net interest income expressed as a percentage of interest earning assets.

Interest Rate Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate SWAP
Arrangement whereby one party exchanges one set of interest payments for another.

Interest Spread
This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties
Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities
Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

J

Joint Control
Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint Venture
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

K

Key Management Personne
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, Including any Director (whether Executive or otherwise) of that entity and key employees who are holding directorships in subsidiary companies and other key employees who meet the criteria mentioned above.

L

LCR Definition
With the introduction of Basel III rules on Liquidity Risk Management LCR has been identified as a key policy measured to further strengthen the liquidity risk management to promote a more resilient banking sector. LCR

is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy. LCR represents the Ratio of Stock of high quality liquid assets available to total net cash outflows over next 30 calendar days.

Level 1 – Quoted Market Price
Financial instruments with quoted prices for identical instruments in active markets.

Level 2 – Valuation Technique Using Observable Inputs
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 –Valuation Technique with Significant Unobservable Inputs
Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Leverage Ratio
The leverage ratio measures how leveraged a bank capital is in relation to its consolidated assets, derivatives exposures and off-balance sheet items. The leverage ratio constrains the degree to which the bank can leverage its capital and improve the extent to which it can sustain negative shocks to its balance sheet.

Liability Adequacy Test (LAT)
Assessment on each reporting date whether the recognised insurance liabilities are adequate, using current estimates of future cash flows under the insurance contract.

Life Time Expected Credit Losses (LTECL)
The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Liquid Assets
Assets that are held in cash or in a form that mcan be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and Advances/Receivables
Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loans and Receivables
Non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans Payable
Loans payable are financial liabilities, other than short term trade payables on normal credit terms.

Loan-to-value ratio (LTV)
The LTV ratio is a mathematical expression, which expresses the amount of first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used indetermining the appropriate level of risk for the loan and therefore the correct price of theloan to the borrower.

Loss Given Default (LGD)
The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

M

Market Capitalisation
The value of a company obtained by multiplying the number of issued shares by its market value as at a date.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Market Risk Premium
The market risk premium is the difference between the expected return on a market portfolio and the risk-free rate. The market risk premium is equal to the slope of the security market line (SML), a graphical representation of the capital asset pricing model (CAPM).

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

Minority Interest
The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

Moratorium Period
A moratorium period is a period during a loan term when the borrower is not obligated to make a payment. It is a waiting period before the borrower starts making fixed monthly payments.

Glossary of Financial Terms

N

Net Accommodation
Total net accommodation computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of five years or more.

Net Asset Value Per Share
Shareholders' Funds excluding preference shares if any, divided by the number of ordinary shares in issue.

Net Interest Margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

Net Open Position
Net Open Position or "NOP" means the net sum of all foreign currency assets and liabilities of a financial institution, inclusive of all of its spot and forward transactions and off balance sheet items in that foreign currency.

Net Premium Method
A Net Premium Valuation is an actuarial calculation, used to place a value on the liabilities of a life insurer.

Net Stable Funding Ratio (NSFR)
NSFR measures the amount of longer term stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Net-Interest Income (NII)
The difference between what a bank earns on assets such as loans and securities and what it pays on 220 liabilities such as deposits refinance Union Bank of Colombo PLC funds and inter-bank borrowings.

Non – Genuine
A cash flow characteristic that affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

Non Controlling Interest (NCI)
Non controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

Non-Performing Loans (NPL)
A loan or an receivables placed on cash basis (i.e., Interest income is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest.

Non-Performing Loans Cover (NPL Cover)
Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense).

Nostro Account
A bank account held in foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

NPL Ratios
Total non-performing loans and receivables (net of interest in suspense) divided by total loans and receivables portfolio (net of interest in suspense).

O

Off-Balance Sheet Transactions
Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

Onerous Contract
A type of contract where the costs involved with fulfilling the terms and conditions of the contract are higher than the amount of economic benefits received.

Open Credit Exposure Ratio
Total net non-performing Loans (Stage 3) and Advances expressed as a percentage of regulatory capital base.

Operational Risk
Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent
A parent is an entity that has one or more subsidiaries.

Past Due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)
The current market price of the share is divided by the earnings per share.

Probability of Default (PD)
The probability that an obligor will default within a given period of time.

Provision Cover
Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

Prudence
Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

Ratio of Impaired Loans and Advances
Ratio for Impaired Loans and Advances is the ratio of gross impaired Loans and Advances portfolio as a percentage of gross Loans and Advances.

Regular Way Trades
A type of trade that is settled through the regular settlement cycle required for the particular investment being traded. The settlement cycle is the time that the regulations of the securities market allows for the buyer to complete payment and for the seller to deliver the goods being purchased.

Related Parties
Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)
RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement
This is a contract to sell and subsequently repurchase government securities at a given price on a specified future date.

Re-scheduled Credit Facilities
Re-scheduled credit facilities are facilities which the original repayment terms have been amended due to deterioration in credit quality, while the respective facility is in the 'Non Performing' status as defined in the relevant regulatory directions.

Return On Average Assets (ROA)
Net income expressed as a percentage of average total assets.

Return On Average Equity (ROE)
Net income, less preferred share Dividend if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve
Reserves set aside for future distribution and investment.

Reverse Repurchase Agreement
Transaction involving the purchase of government securities by a bank or dealer and resale back to the seller at a given price on a specific future date.

Right-of-Use Assets
Right-of-Use Assets include assets recognised at the present value of future lease rentals less any amortisation and impairment accumulated at the date of reporting.

Rights Issue
Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Risk Weighted Assets
On-Balance Sheet assets and the credit equivalent of Off-Balance Sheet assets multiplied by the relevant risk weighting factors.

S

Segment Reporting
Disclosure of the bank's assets, income and other information, broken down by activity and geographical area.

Segmental Analysis
Analysis of financial information by segments of an enterprise specifically industries in which it operates.

Shareholders' Funds
Total of issued and fully paid share capital and capital and revenue reserves.

Significant Increase In Credit Risk (SICR)
According to SLFRS 9, an entity should assess whether the risk of default on a financial Instrument has Increased significantly since Initial recognition. The assessment should consider reasonable and supportable Information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the standard that the credit risk on a financial asset has Increased significantly since Initial recognition when contractual payments are more than 30 days past due.

Significant Influence If an entity holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that entity has significant influence it can be clearly demonstrated otherwise.

Single Borrower Limit
A percentage of total capital.

Solely Payments of Principal and Interest Test (SPPI)-
Classification decision for non- equity financial assets under SLFRS 9.

Specific Impairment Provisions
Impairment is measured individually for loans that are individually significant to the Bank.

Statutory Reserve Fund
A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Stage 1 Financial Assets
When financial assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 2. This includes financial assets the credit risk of which have not been significantly increased since the origination.

Glossary of Financial Terms

Stage 2 Financial Assets
Financial assets that have shown a significant increase in credit risk since origination are considered as a stage 2 financial asset. The Bank records an allowance for the LTECLs on stage 2 assets. These include financial assets where the credit risk has improved and the assets that have been reclassified from Stage 3.

Stage 3 Financial Assets
Credit impaired financial assets are considered as stage 3 assets. The Bank records an allowance for the LTECLs for Stage 3 assets.

Stage 3 Loans (Impaired Loans) to Total Loans Ratio
This ratio shows impaired Loan & Advances (Stage 3), net of Stage 3 impairment provisions, as a percentage of total on balance sheet credit facilities and their respective undrawn amounts.

Stage 3 Provision Cover
Stage 3 provision cover is calculated by dividing Loans & Advances impairment (Stage 3) by stage 3 Loans & Advances.

Stakeholders
Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organisation.

Standing Deposit Facility
Standing Deposit Facility allows the Central Bank of Sri Lanka to absorb liquidity from commercial banks without giving government securities in return to the banks. In this sense, the Standing Deposit Facility (SDF) is a collateral free arrangement that CBSL need not give collateral for liquidity absorption.

State-Owned Enterprise
A state-owned enterprise is a legal entity that is created by a government in order to partake in commercial activities on the government's behalf.

Statutory Reserve Fund
A reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subsidiary Company
A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Substance Over Form
The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

SWAPS (Currency)
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement. Alternatively a simultaneous spot sale and forward purchase of a currency.

T

Tier 1 Capital
a) Common Equity Tier 1 (CET1)
This is a component of Tier 1 capital that consists mostly of common stock held by a bank.

b) Additional Tier 1 Capital (AT1)
This is similar to CET 1, but may additionally include non-redeemable non-cumulative preferred stock.

Tier 1 Capital - Additional Tier 1 (At 1)
Additional tier 1 capital (at1) is a component of tier 1 capital, distinct from common equity tier 1 (cet1) capital. It comprises capital instruments that are not included in cet1. These at1 instruments are subordinated to most other types of debt and have characteristics such as no fixed maturity and the flexibility for the issuing bank to cancel dividends at any time without triggering a default. At1 plays a supplementary role in a bank's overall capital structure, providing additional financial resilience and capacity to absorb losses.Tier ii capital Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

Tier 2 Capital
This is the secondary component of a bank's capital, in addition to Tier 1 capital, that makes up a bank's required reserves. Tier 2 capital is designated as supplementary capital, and it is composed of items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

Total Capital (Capital Base)
Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

Total Impairment Provision Cover Ratio
Total Impairment Cover depicts total impairment provision of Loans and Advances as a percentage of Total Gross Loans and Advances.

Total Regulatory Capital
Regulatory capital of licensed banks will consist the following.

Transaction Costs
Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Transfer Pricing Arrangement
Transfer pricing involves the terms and prices at which related parties sell (or should sell) goods or services to each other. When the parties are located in different taxing jurisdictions, opportunities exist for the movement of income to a lower-taxing jurisdiction. A transfer pricing arrangement is developed to combat potential losses of income tax revenue.

Twelve Month Expected Credit Losses (12mECL)
12mECLs are expected credit losses that result from all possible default events over a 12 month period. Stage 1 assets are subject to 12mECLs.

U

Undrawn Credit Lines
Credit facilities approved but not yet utilised by the clients as at the end of the reporting period.

Unearned Premium Reserve
The premium corresponding to the time period remaining on an insurance policy.

Unit Trust
An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured
Repayment of the principal and interest not being secured by any specific asset.

Useful Life
Useful life is the period over which an asset is expected to be available for use by an entity or the number of periods production or similar units expected to be obtained from the assets by an entity.

V

Value Added
Value of wealth created by providing banking and other related services less the cost of providing such services.

Value-at-Risk (VaR)
A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g., rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

W

Write-offs
Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Y

Yield Curve
A yield curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of yield curve gives an idea of future interest rate changes and economic activity. There are three main types of yield curve shapes; normal (upward sloping curve), inverted (downward sloping curve) and flat.

Yield to Maturity
Discount rate at which the security's present value of future payments would equal the security's current price.

Abbreviations

AC	Amortised Cost
ADB	Asian Development Bank
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
AML	Anti Money Laundering
ASPI	All Share Price Index
ATM	Automated teller machine
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCC	Board Credit Committee
BCP	Business Continuity Plan
BIA	Basic Indicator Approach
BIS	Bank for International Settlements
BNO	Bank Notes Operation
CAPEX	Capital Expenditure
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CCF	Credit Conversation Factor
CCTV	Closed-Circuit Television
CDS	Central Depository Systems
CEO	Chief Executive Officer
CETI	Common equity tier
CFM	Close Family Members
CFO	Chief Financial Officer
CGU	Cash Generating Units
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CSD	Corporate Sustainability Department
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DBU	Domestic Banking Unit
DDO	Domestic Debt Optimisation
Dos	Data Leakage, denial of Service attack
DPD	Days Past Due
DRP	Disaster Recovery Plan
D-SIB	Domestic systemically important bank
EADs	Exposure at Defaults
ECC	Executive Credit Committee
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings Per Share
ERMC	Executive Risk Management Committee
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
ESOP	Employee Share Option Plan
ETF	Employees' Trust Fund
FCBU	Foreign Currency Banking Unit
FCY	Foreign Currency
FIS	Fixed Income Securities
FRMC	Fraud Risk Management Committee
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
FY	Financial Year
GBP	British Pound Sterling
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HHI	Herfindahl-Hirschman Index
HQLA	High quality liquid assets
HR	Human Resources
HRRC	Human Resources & Remuneration Committee
IAD	Internal Audit Department
ICAAP	Internal Capital Adequacy Assessment Process
ICOFR	Internal Control Over Financial Reporting
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMF-EFF	International Monetary Fund-Extended Fund Facility
IRMC	Integrated Risk Management Committee
IRR	Interest Rate Risk
IRRBB	Interest rate risk in banking books
ISC	Information Security Committee
ITSC	IT Steering Committee
JPY	Japanese Yen
KMP	Key Management Personnel
KRI	Key Risk Indicators
LCB	Licensed Commercial Bank
LCR	Liquidity Coverage Ratio
LGD's	Loss Given Defaults
LKR	Sri Lankan Rupee
LMS	Learning Management System
LTECL	Lifetime Expected Credit Loss
LTV	Loan to Value Ratio
Mn	Million
MoU	Memorandum of Understanding
MTM	Mark to Market
NC	Nomination Committee
NII	Net Interest Income
NIM	Net Interest Margin

NOP	Net Open Position
NPA	Non Performing Assets
NPCF	Non performing credit facilities
NPL	Non-Performing Advances/ Non-Performing Loans
NSFR	Net Stable Funding Ratio
OMC	Outsourcing Management Committee
OPD	Outpatient Department
ORMC	Operational Risk Management Committee
PAT	Profit After Tax
PBT	Profit Before Tax
PCI-DSS	Payment Card Industry Data Security Standard
PD	Probability of Defaults
PLC	Public Limited Company
POCI	Purchased or Orginated credit impaired (Financial Assets)
RCSA	Risk and Control Self-Assessment
RHS	Right Hand Side
ROA	Return on Assets
ROE	Return on Equity
RPT	Related Party Transactions
RPTRC	Related Party Transactions Review Committee
RSA	Rate Sensitive Assets
RWA	Risk Weighted Assets
SDFR	Standing Lending Facility Rate
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission of Sri Lanka
SLDB	Sri Lanka Development Bonds
SLFRS/ LKAS	Sri Lanka Financial Reporting Standards / Sri Lanka Accounting Standards
SME	Small and Medium Enterprises
SOAT	Statement of Alternative Treatment
SPPI	Solely Payments of Principal and Interest
SSCL	Social Security Contribution Levy
SWIFT	Society for Worldwide Interbank Financial Telecommunications
SWOT	Strengths, Weaknesses, Opportunities and Threats
T-BILL	Treasury Bill
USD	United States Dollar
UX	User Experience
VAPT	Vulnerability Assessment and Penetration Testing
VaR	Value at Risk
VAT	Value Added Tax
VATFS	Value Added Tax on Financial Services
w.e.f	With Effect From
YoY	Year on Year
12mECL	12 months Expected Credit Loss

Branch Network

	Branch Name	Address	Contact
1	Head Office	64, Galle Road, Colombo03	0112374100
2	Pettah	No. 111, Main Street, Colombo 11	0112321139
3	Colpetty (Elite Centre)	51 A, Ananda Coomaraswamy Mawatha, Colombo 03.	0112565476
4	Nawala	232, Nawala Road, Nawala.	0112806987
5	Wellawatte	605, Galle Road, Colombo 06	0112553223/6
6	Kandy	165, D.S. Senanayake Veediya, Kandy	0812224500
7	Kurunegala	11, Rajapihilla Road, Kurunegala	0372225419/21
8	Kotahena	16/16A, Kotahena Street, Kotahena.	0112448825
9	Negombo	387, Main Street, Negombo.	0312238299
10	Matara	17, Station Road, Matara.	0412228442-4
11	OMS	343, Old Moor Street, Colombo 12	0112399996
12	Ja-ela	151B, Colombo Road, Jaela.	0112228573
13	Nugegoda	114, Stanley Thillakeratne Mawatha, Nugegoda.	0112832323
14	Moratuwa	729, Galle Road, Moratuwa.	0112642501-2
15	Jaffna	398, Hospital Road, Jaffna.	0212224567
16	Wennappuwa	33, Colombo Road, Wennappuwa.	0312253543
17	Mannar	66, Main Street, Mannar.	0232251344
18	Vavuniya	124, Bazaar Street, Vavuniya.	0242225612
19	Chunnakam	118, K. K. S. Road, Chunnakam	0212240930
20	Wattala	258, Negombo Road, Wattala	0112980731
21	Gampaha	170 A, Colombo Road, Gampaha.	0332248813
22	Batticaloa	03, Station Road, Batticaloa	0652228512
23	Trincomalee	306, Central Road, Trincomalee	0262226505
24	Galle	143, Main Street, Galle	0912247307
25	Piliyandala	71, Moratuwa Road, Piliyandala	0112606152
26	Kadawatha	315F, Kandy Road , Kadawatha	0112928816
27	Ratnapura	109, Main Street, Ratnapura	0452224422
28	Dambulla	723, Anuradhapura Road, Dambulla	0662285511

	Branch Name	Address	Contact
29	Anuradhapura	38, Main Street, Anuradhapura	0252224889
30	Horana	41, Panadura Road, Horana	0342263156
31	Badulla	81, Bank Road, Badulla	0552224657
32	Chilaw	50, Colombo Road, Chilaw	0322224556
33	Ambalangoda	118, Galle Road, Ambalangoda	0912256420
34	Panadura	495 Galle Road, Panadura	0382237098
35	Marawila	44, Chilaw Road, Marawila	0322252522
36	Pelawatta	966, Pannipitiya Road, Pelawatta	0112785337
37	Gampola	121, Kandy Road, Gampola	0812353785
38	Embilipitiya	58, Main Street, Pallegama, Embilipitiya	0472230761
39	Kegalle	340, Kandy Road, Kegalle	0352223605
40	Warakapola	238 B, Kandy Road, Warakapola.	0352268226
41	Ambalantota	133/1, Hombantota Road, Ambalantota	0472225642
42	Minuwangoda	68, Veyangoda Road, Minuwangoda	0112299277
43	Balangoda	167/B, Barns Rathwaththa Mawatha, Balangoda	0452289455
44	Maharagama	140, High Level Road, Maharagama	0112088800
45	Matugama	121/B, Agalawatta Road, Matugama.	0342248555
46	Kuliyapitiya	203, Hettipola Road, Kuliyapitiya	0372284446
47	Pilimathalawa	211A, Colombo Road, Pilimathlawa	0812575901
48	Elpitiya	No 40, Ambalangoda Road, Elpitiya	0912291695
49	Ratmalana	143C, Mount City, Galle Road, Ratmalana	0112730860
50	Akuressa	50A, D.C Vanigasekara Mawatha, Akuress	0412284672
51	Rajagiriya	115, Old Kotte Road, Rajagiriya.	0112075566
52	Aththidiya	No. 126, Main Road, Attidiya, Dehiwala	0112761292
53	Kohuwala	96B, Dutugenumu Street, Kohuwala	0112813693
54	Borella	No.40, Gnanartha Pradeepa Mw, Colombo 08.	0112672404
55	Peradeniya	No.921, Peradeniya Road, Kandy	0812068440-2
56	Bandarawela	No.348, Badulla Road, Bandarawela	0572221808

Notice of Meeting

UNION BANK OF COLOMBO PLC
(PB 676 PQ)

Notice is hereby given that the Thirty-First (31st) Annual General Meeting of Union Bank of Colombo PLC ("the Company") will be held on 31st March 2026 at 10.30 a.m. at the Auditorium of Sri Lanka Foundation Institute at No.100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, together with the Statement of Audited Accounts for the year ended 31st December 2025 and the Report of the Auditors thereon.
2. To re-elect Mr. Ahamed Sabry Ibrahim as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.
3. To re-elect Mr. Nirvana Kumar Chaudhary as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.
4. To re-elect Mr. Sanjay Pokhrel as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.
5. To elect Mr. Gyanendra Prasad Dhungana as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.
6. To authorise the Board of Directors to determine and make any donations, contributions and subscriptions for the financial year 2026, up to the date of the next Annual General Meeting, as it may deem appropriate.
7. To appoint Messrs. Deloitte, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Board to determine their remuneration.

By Order of the Board



Laswie Tsung
Company Secretary

24 February 2026
Colombo

Notes:

1. A Shareholder who is unable to attend the meeting is entitled to appoint a Proxy to attend and vote on his/her/its behalf.
2. A Proxy need not be a Shareholder of the Company.
3. A Shareholder wishing to vote by proxy may do so using the enclosed Form of Proxy.
4. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Company (No. 64, Galle Road, Colombo 03) at least thirty-six (36) hours before the time appointed for the meeting.

Form of Proxy

I/We,..... of .....

being a Shareholder/Shareholders of Union Bank of Colombo PLC hereby appoint Mr/Mrs/Miss .....

(holder of NIC No. ..... of (or failing him/her) Mr. Dinesh Weerakkody or failing him, Mr. Nirvana Chaudhary or failing him, Ms. Dilshani Wijayawardana or failing her, Mr. Ahamed Sabry Ibrahim or failing him, Mr. Sanjay Pokhrel or failing him, Mr. Dilshan Rodrigo or failing him, Dr. Dharmasri Kumaratunge or failing him, Mr. Mahesh Nanayakkara or failing him, Mr. Gyanendra Dhungana as my/our* Proxy to represent me/us* on my/our* behalf at the Annual General Meeting of Union Bank of Colombo PLC ('the Company') to be held at the Auditorium of Sri Lanka Foundation Institute at No.100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 31st March 2026 at 10:30 a.m. and at any adjournment thereof.

I/we* the undersigned hereby authorise my/our* Proxy to speak and vote whether on a show of hands or on a poll for me/us* and on my/our* behalf in accordance with the preferences as indicated below:

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, together with the Statement of Audited Accounts for the year ended 31st December 2025 together with the Report of the Auditors thereon.		
2. To re-elect Mr. Ahamed Sabry Ibrahim as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.		
3. To re-elect Mr. Nirvana Kumar Chaudhary as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.		
4. To re-elect Mr. Sanjay Pokhrel as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.		
5. To elect Mr. Gyanendra Prasad Dhungana as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.		
6. To authorise the Board of Directors to determine and make any donations, contributions and subscriptions for the financial year 2026, up to the date of the next Annual General Meeting, as it may deem appropriate.		
7. To appoint Messrs. Deloitte, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Board to determine their remuneration.		

……..……	……	.....
Signature/s of Shareholder/s	Shareholder/s' N.I.C/Co Reg. No	Contact No.

Signed this …….. day of Two Thousand and Twenty Six.

(*Please delete the inappropriate words)
(**Please mark your preference with an "X")
(Instructions as to the completion of the Form of Proxy are annexed.)

Form of Proxy

INSTRUCTIONS FOR THE COMPLETION OF FORM OF PROXY

1. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Form of Proxy should be forwarded to the Company Secretary via email address csd@unionb.com or handed over/ posted to "Company Secretary, Union Bank of Colombo PLC, No. 64, Galle Road, Colombo 03" not less than thirty-six (36) hours before the time appointed for the holding of the Meeting. No registration of proxies will be accommodated after this deadline.
3. The Proxy shall –
   (a) in the case of an individual, be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
   (b) in the case of a company or corporate body, either under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body.

   The Company may but shall not be bound to, require evidence of the authority of any such attorney or officer.

   (c) in the case of joint holders, signed by the joint holder whose name appears first in the Register of Members.
4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in close proximity to the alteration or addition intended to be authenticated.
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy will vote as it thinks fit.
6. Shareholders who are unable to participate at the meeting are encouraged to appoint a director as their proxy by forwarding the duly completed Form of Proxy, clearly indicating their voting instructions on each resolution, to the Company Secretary as specified under section 2 above. This will ensure that their vote may be identified and recorded as if they were present at the meeting.

Please fill in the details:

Share Certificate No./ CDS Account No.	
Name	
Address	
Jointly with	
National Identity Card No/s./ Passport No/s/ Company Registration No/s of the shareholders	
No. of Shares	

Stakeholder Feedback Form

We welcome your valuable feedback on this Integrated Annual Report, on our commitments and performance. Please complete the section below and return this page to:

The Company Secretary
Union Bank of Colombo PLC
No. 64, Galle Road,
Colombo 03,
Sri Lanka.
Email: csd@unionb.com

Name:	
Permanent Mailing Address:	

Contact Details

Telephone (Residence):	
Telephone (Office):	
Mobile Number:	
Fax:	
E-mail:	

Queries / Comments

Recommendations

Form of Request

To:
The Company Secretary
Union Bank of Colombo PLC
No. 64, Galle Road, Colombo 03.
Email: csd@unionb.com

Dear Sir/Madam,

Request for a printed copy of the Annual Report 2025 of Union Bank of Colombo PLC

I/We hereby request you to please forward to me/us a printed copy of the Annual Report of Union Bank of Colombo PLC for the year 2025.

Full Name of the Shareholder/s	
Jointly with	
Address of the Shareholder/s	
National Identity Card No/s. /Passport No/s.	
No/s of the shareholder/s	
Company Registration No.	
CDS Account No.	
Contact Telephone No.	

…….. ……..
Signature of the Shareholder/s Date

Notes:

1. Kindly perfect the Form of Request by filling in legibly your full name, address and the National Identity Card Number/Passport Number and by signing in the space provided and filling in the date of signature.
2. Please email or deliver the completed Form of Request to the Company Secretary at the address given above.
3. If the Form of Request is signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Form of Request.
4. If the request is made by a Company/Corporation this Form must be executed as per the Articles of Association of the Company/ Corporation either under the Common Seal or by a duly authorised officer of that Company/Corporation.
5. In the case of a joint shareholding, the request should be signed by the joint holder whose name appears first in the Register of Members.

Notes

Notes

Corporate Information

Name of the Company
Union Bank of Colombo PLC

Company Registration Number
PB 676 PQ

Legal Form
A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re- registered under the Companies Act No. 07 of 2007. Listed as a public quoted Company on the Colombo Stock Exchange. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

Date of Incorporation
2nd February 1995

Registered Office/ Head Office
No. 64, Galle Road, Colombo 03, Sri Lanka.
Tel : +94 11 2374100
Fax : +94 11 2337818
E-mail : info@unionb.com
Website : www.unionb.com

SWIFT Code
UBCL LK LC

VAT Registration Number
134005610-7000

Auditors
M/s. Ernst & Young,
Chartered Accountants,
Rotunda Towers,
109, Galle Road,
Colombo 03.

Board of Directors
- Dinesh Weerakkody - *Chairman*
- Nirvana Kumar Chaudhary - *Deputy Chairman*
- Dilshan Rodrigo - *Chief Executive Officer*
- Sanjay Pokhrel
- Dilshani Gayathri Wijayawardana
- Ahamed Sabry Ibrahim
- Dharmasri Kumaratunge
- Mahesh Nanayakkara
- Gyanendra Prasad Dhungana

Company Secretary
Laswie Tsung

Designed & Produced by : optima Designs (Pvt) Ltd.



Union Bank of Colombo PLC
Head office: 64, Galle Road, Colombo 03, Sri Lanka.
+94 11 2374100 | www.unionb.com