HNB FINANCE

ANNUAL REPORT 2025/26

25 YEARS

# Enduring.
# Evolving.
# **Excellence.**



# Enduring.
# Evolving.
# **Excellence.**

Twenty-five years ago, HNB Finance opened its doors with a simple but powerful conviction: that financial services done with care, done with purpose, and done with the people of this nation in mind, could change lives. Not in the abstract. Not in the language of boardrooms and balance sheets. But in the tangible, taking root as a pioneer in microfinance, placing seeds of possibility in underserved hands, and quietly, meaningfully, helping lives flourish.

Like a dandelion, we did not begin as something grand. We began determined. A small presence taking root in solid ground. But the deeper truth of the dandelion is this: when the moment is right, it does not cling. It releases. It trusts its course. Each seed is a possibility. Each possibility, a new beginning.

This year, that conviction stands as proof.

In our twenty-fifth year, we recorded the strongest financial performance in our history, with a diversified business model so deeply collaborative that it redefined what we are capable of achieving when we move as one.

This Annual Report is the story of how twenty-five years of endurance, evolution, and the quiet, determined pursuit of excellence brought us to a moment we are proud to call exceptional.

This Annual Report is the story of how endurance built our foundation, evolution sharpened our edge, and twenty-five years of quiet, determined pursuit continue to shape our journey towards Excellence.

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Form of Proxy
(Voting Shareholders) – Enclosed
Form of Proxy
(Non-Voting Shareholders) – Enclosed

# About this Report

## Presenting our integrated Annual Report

This is the tenth Integrated Annual Report of HNB Finance PLC (hereafter "HNBF" or the "Company") and has been carefully prepared to communicate the Company's strategic direction, governance framework, operational performance, and future outlook for the financial year 2025/26. The Report reflects our continued commitment to creating sustainable value over the short, medium, and long term for a diverse group of stakeholders.

The Report is presented in the context of a year characterised by strategic transformation, operational resilience, and strengthened sustainability integration. During the year, HNBF continued to strengthen its business model through disciplined growth, portfolio realignment, and digital transformation initiatives, and enhanced governance practices, while remaining focused on long-term value creation and stakeholder confidence.

This Report aims to provide investors, customers, employees, regulators, business partners, and the wider public with a transparent and balanced overview of how HNBF utilised its capital, executed its strategy, managed risks, and strengthened organisational resilience during FY 2025/26. It also reflects the Company's continued evolution towards a more digitally enabled, customer-centric, and sustainability-focused operating model.

## Assurance on the integrity of the report

The Board of Directors of HNBF affirms the accuracy, material relevance, and completeness of this Integrated Annual Report. The Board remains committed to maintaining high standards of transparency, accountability, and corporate governance in all reporting and disclosure practices.

Internal assurance on the integrity of the Report has been provided through the oversight of the Board Audit Committee and the Company's internal control and governance mechanisms. The financial statements for the year ended 31 March 2026, included within this Report, have been independently audited by Messrs KPMG, Chartered Accountants.

These combined assurance mechanisms ensure that the Report presents a fair, balanced, and reliable account of HNBF's financial and non-financial performance during FY 2025/26, while reinforcing stakeholder confidence in the Company's governance and reporting practices.

## Forward looking statements

This Integrated Annual Report contains forward-looking statements relating to HNBF's future plans, strategies, objectives, expectations, and operating environment. These statements reflect the Company's current assumptions and strategic priorities as it continues its transformation journey towards a more resilient, digitally enabled, and sustainable business model.

For the purpose of this Report, forward-looking time horizons are defined as follows: short-term refers to a period within one year, medium-term refers to a period between one and three years, and long-term refers to a period beyond three years.

While every effort has been made to ensure that these statements are based on reasonable assumptions and expectations, actual outcomes may differ due to changes in economic conditions, market dynamics, regulatory developments, technological advancements, and other external factors beyond the Company's control.

HNBF remains committed to continuously strengthening its operational resilience, governance practices, and strategic agility in order to effectively respond to evolving market conditions and create sustainable long-term value for stakeholders.

## Reporting boundary

This Integrated Annual Report provides a comprehensive overview of HNBF's strategy, governance, risks, opportunities, performance, and value creation process during FY 2025/26. The Report combines both financial and non-financial information relating to the Company's operations, unless otherwise stated.

The disclosures contained within this Report reflect the Company's interactions with key stakeholders and highlight the initiatives, activities, and strategic developments undertaken during the year to strengthen business sustainability, operational resilience, digital capabilities, and stakeholder value creation.

## Reporting period

This Annual Report covers the financial year from 1 April 2025 to 31 March 2026 and has been prepared in alignment with HNBF's annual financial and sustainability reporting cycle.

The Report builds upon disclosures presented in previous years and maintains consistency in reporting scope, methodology, and presentation, except where enhancements have been introduced to improve clarity, relevance, and alignment with evolving reporting expectations and sustainability-related disclosure requirements.

## Materiality

The materiality determination process undertaken during FY 2025/26 identified the economic, environmental, social, governance, and operational matters that are most significant to HNBF and its stakeholders. The process considered stakeholder expectations, strategic priorities, industry developments, and the potential impact of material matters on the Company's ability to create sustainable value over time.

The Materiality Matrix presented within this Report illustrates the relative significance of these matters and demonstrates how they influence strategic decision-making, risk management, operational priorities, and stakeholder engagement across the organisation.

This structured approach ensures that the Report remains focused, transparent, and aligned with the matters that are most relevant to the Company's long-term sustainability and stakeholder interests.

# About this Report

## Key frameworks, guidelines, and compliance

To ensure a balanced, transparent, and comprehensive presentation of HNBF's performance during FY 2025/26, this Integrated Annual Report has been prepared in accordance with internationally and locally recognised frameworks, standards, and regulatory requirements.

These include applicable Sri Lanka Accounting Standards (SLFRS/LKAS), the International Integrated Reporting <IR> Framework, relevant Global Reporting Initiative (GRI) Standards, and sustainability-related disclosure considerations, including TCFD principles and SLFRS S1 and S2 requirements where applicable.

The Report also complies with the regulatory and governance requirements issued by the Central Bank of Sri Lanka, the Companies Act No. 07 of 2007, and the listing requirements of the Colombo Stock Exchange.

### Financial Reporting

- Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Inland Revenue (Amendment) Act No. 02 of 2025
- Finance Leasing Act No. 56 of 2000
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission Directions

### Sustainability Reporting

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- United Nations Global Compact (UNGC) Principles
- United Nations Sustainable Development Goals (SDGs)
- Integrated Reporting <IR> Framework, IFRS Foundation
- Sri Lanka Accounting and Regulatory Framework

### Financial Statements Assurance

- Sri Lanka Auditing Standards (SLAuSs)
- Sri Lanka Standard on Assurance Engagements (SLSAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by CA Sri Lanka

### Corporate Governance and Risk Management

- Finance Business Act (Corporate Governance) Direction No. 05 of 2021, and as amended
- Section 09 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance

## Feedback and Queries

For any feedback or queries regarding this Annual Report, please contact:



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# About HNBF

Since its establishment in 1999 as a pioneer in commercial microfinance in Sri Lanka, HNB Finance PLC ("HNBF" or the "Company") has evolved into a fully diversified financial services provider, guided by a strong commitment to innovation, resilience, and sustainable growth. Over the past 25 years, the Company has continuously adapted to changing market dynamics while remaining focused on delivering accessible, customer-centric financial solutions that support inclusive economic progress across Sri Lanka.

As HNBF marks its 25th anniversary during FY 2025/26, the Company reflects on a journey shaped by strategic transformation, operational resilience, and disciplined growth. With an increasingly sharpened focus on secured lending solutions and portfolio diversification, HNBF continues to strengthen its position within the Non-Bank Financial Institution (NBFI) sector through strategically aligned products and services that support long-term sustainability and responsible value creation. Looking ahead, the Company remains committed to building a future-ready, digitally enabled, and socially responsible organisation that creates enduring value for all stakeholders.

## VISION

To be the recognised leader in providing innovative, technology-driven financial solutions with a human touch for all.

## MISSION

We aim to provide customer-centric, well-diversified products and services, responsibly and sustainably, while creating stakeholder value through our passionate team.

## THE VALUES that inspire us

- Integrity
- Socially conscious
- Professionalism
- Innovation
- Respect
- Relevance
- Empathy

Supported by Hatton National Bank PLC, one of Sri Lanka's systemically important banks, HNB Finance PLC has established itself as a leading Non-Bank Financial Institution, recognised for its diversified product portfolio, strong governance practices, and customer-centric approach. The Company operates a strategically dispersed network of 76 branches and provides customers with access to over 850 ATMs island-wide through HNB, enhancing financial accessibility, operational reach, and brand trust across both rural and urban markets. This physical reach is further strengthened by the implementation of mobile and internet banking, enabling customers to access financial services with greater convenience, responsiveness, and digital connectivity.

A major milestone in HNBF's transformation journey was its amalgamation with Prime Finance PLC in May 2022, which strengthened the Company's capabilities in property-backed lending while expanding its product portfolio and customer base. The amalgamation accelerated HNBF's growth in leasing, land and housing finance, strengthened operational scale, and enriched the organisation with broader expertise and capabilities.

The financial year 2025/26 marked another important phase in HNBF's ongoing transformation journey. The Company continued to strengthen its strategic focus on secured and asset-backed lending segments, further reinforcing portfolio resilience, credit quality, and long-term sustainability. Product portfolio optimisation and disciplined growth remained central to the Company's strategy, reflecting its commitment to responsible lending and balanced value creation.

At the same time, HNBF made significant progress in advancing its digital transformation agenda, recognising technology as a key enabler of operational efficiency, customer experience, and future scalability. During the year, the Company initiated the implementation of a next-generation Core Banking System designed to modernise internal systems, strengthen integration capabilities, and support future digital expansion. Strategic investments were also directed towards process automation, digital onboarding capabilities, omnichannel customer engagement, and secure cloud-based infrastructure enhancements aimed at improving service accessibility and operational agility.

The Company further strengthened its cybersecurity and digital resilience framework through enhanced endpoint protection, data security mechanisms, and governance oversight structures, ensuring that digital transformation initiatives are supported by robust risk management and regulatory compliance practices. These initiatives collectively support HNBF's long-term vision of delivering secure, scalable, and digitally empowered financial solutions with enhanced convenience and accessibility for customers.

Social responsibility continues to remain at the core of HNBF's business philosophy and stakeholder engagement approach. Through its microfinance activities and financial literacy programmes, the Company actively contributes towards empowering grassroots communities, supporting entrepreneurship, and promoting financial inclusion across Sri Lanka. Special emphasis continues to be placed on uplifting underserved communities and supporting women entrepreneurs through tailored financial solutions and awareness programmes designed to foster long-term financial independence and economic resilience.

During FY 2025/26, HNBF also continued to strengthen its sustainability agenda by embedding Environmental, Social, and Governance (ESG) considerations more deeply into its strategy and operations. The Company expanded its focus on environmentally responsible financing, improved resource efficiency initiatives, and strengthened partnerships supporting recycling and sustainable operational practices. These initiatives reflect HNBF's continued commitment to building a responsible and inclusive financial ecosystem while contributing meaningfully towards sustainable development and long-term stakeholder value creation.

# Milestones

**1999**
- Launched as a limited liability company to offer Microfinancing facilities

**2000**
- Opened the first branch (City branch) with 2,500 customers

**2008**
- Expanded by opening 78 branches in all districts across Sri Lanka with a team of 2,498 employees

**2009**
- Rebranded the Company as Grameen Micro Credit Ltd.

**2010**
- Received a license from the Monetary Board of the CBSL to operate as a Licensed Finance Company

**2011**
- Prime Lands Group acquired ownership of the Company and paved the way for the revival of the Company by infusing LKR 700 Mn. in equity and LKR 350 Mn. as debt. Following the acquisition, rebranded as Prime Grameen Micro Finance Limited

**2012**
- Achieved an annual profit for the first time in the Company's history, with a growth of 362% compared to the previous year, considered a great milestone

**2014**
- HNB PLC, Sri Lanka's leading and oldest private sector commercial bank, acquired 51% of the voting rights of Prime Grameen Micro Finance Limited, from Prime Lands Group
- Accordingly, Prime Grameen Micro Finance Limited was renamed as HNB Grameen Finance Ltd.
- Diversified the portfolio with the launch of three new products, Abilasha, Easy, and Swashakthi loans, to cater to a new segment of Small-Scale Enterprises

**2015**
- Received international recognition as "Asia's Most Promising Brand 2014"
- "Best Achiever of the Year 2014" awarded by the Credit Information Bureau (CRIB) of Sri Lanka, becoming the first LFC to receive this prestigious award
- Launched Leasing Solutions

**2016**
- The Company crossed a milestone of over LKR 1 Bn. in profits
- Launched Relax and Saviya loan schemes for Small and Medium Enterprises

**2017**
- Developing World Markets (DWM) invested in a 7.93% ownership share of HNB Grameen Finance Ltd., which was acquired from Prime Lands' stake of shares
- Launched ATM facilities for microfinance customers
- HNBG was selected amongst the top "25 Great Places to Work in Sri Lanka"
- HNBG also won the award for the Best in "Pride and Advocacy" and the Bronze award in the Large Companies category
- Launch of Nivahana Product

**2018**
- Reached an asset base of LKR 25 Bn. as at 31 March 2018
- Rebranded from HNB Grameen Finance to HNB Finance Ltd.
- Introduced two new products to the market – Gold Loans and "Divi Saru."
- Runner-up at the National Business Excellence Award 2018 under the Non-Banking and Financial Services sector
- HNBF was amongst the "25 Great Places to Work in Sri Lanka" for the second consecutive year and was also awarded Silver under the Extra Large category

**2019**
- Savings Deposits reached LKR 3 Bn.
- HNB Finance partners with mCash to offer Leasing and Loan Repayment via mCash



**2020**

- Oversubscription of Initial Public Offering (IPO) on the Colombo Stock Exchange
- Rebranded as HNB Finance PLC

**2021**

- Operations expanded to 60 branches and 10 service centres
- HNBF was amongst the "25 Great Places to Work in Sri Lanka" for the fifth consecutive year

**2022**

- HNB Finance PLC acquired Prime Finance PLC on 21 December 2021
- 10 service centres were converted to branches (altogether 70 branches)
- Turnaround of a loss into a profit

**2023**

- Expansion of the branch network to 77 branches
- Achieved Silver award (Total Group Assets Above LKR 20 Bn. category), at the TAGS Awards 2022 organised by CA Sri Lanka
- Operations expanded into Micro Leasing and Property loans. Amalgamated with Prime Finance PLC in May 2022

**2024**

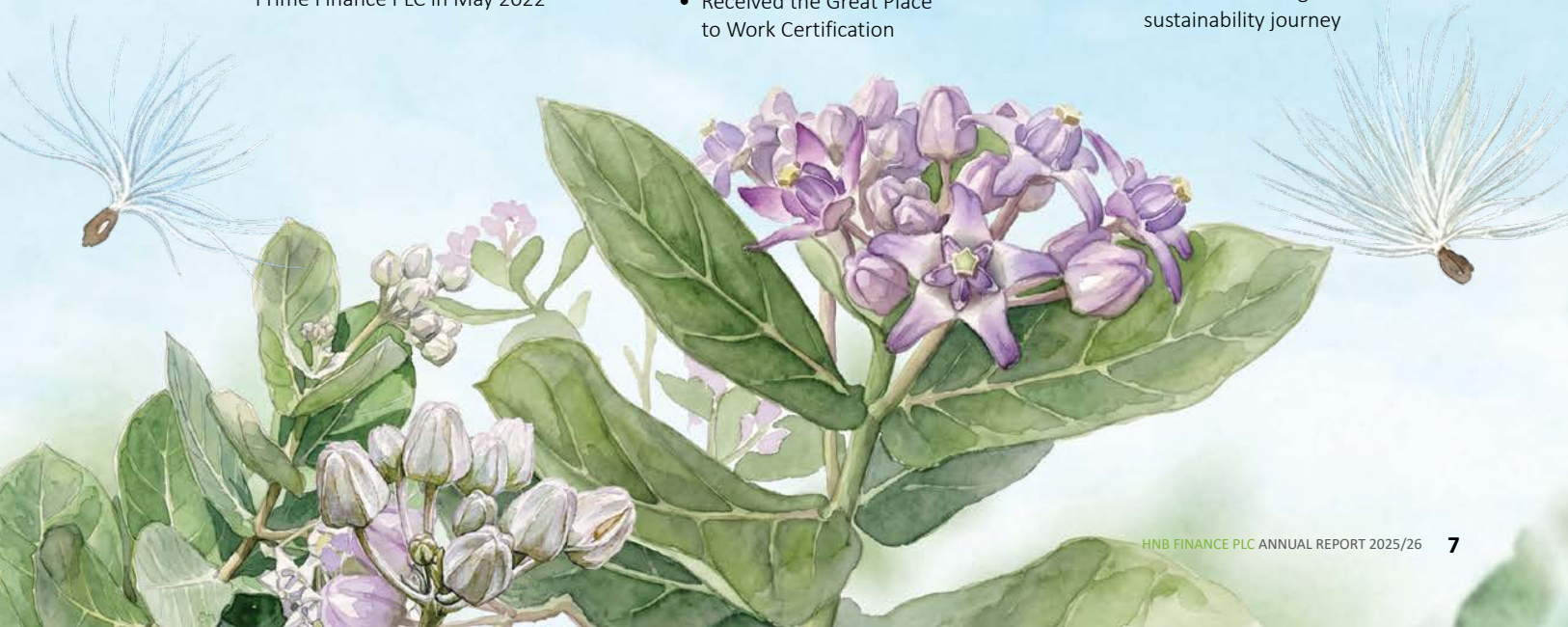
- The Company became a profitable entity through its operational turnaround
- Achieved Bronze Award at the TAGS Awards 2023, organised by CA Sri Lanka
- Expansion of the branch network to 79 branches
- Strengthening the sustainability journey by partnering with a premier E-waste Management organisation

**2025**

- Transformation of the organisation to a well-diversified financial solution provider
- Fitch rating improved to "A(lka) Stable Outlook"
- Oversubscription of the Rights Issue, raising LKR 1.2 Bn.
- Launched a customer loyalty card in collaboration with CH17
- Recognised with a Bronze award at the TAGS Awards 2024, organised by CA Sri Lanka
- Further strengthening the sustainability journey by partnering with local and government organisations
- Received the Great Place to Work Certification

**2026**

- Achieved the highest profit in HNBF history of LKR 1.68 Bn., marking a significant milestone in our journey
- Commemorating 25 years in the industry
- Received Silver Award in Finance companies, Leasing companies and Other Financial Institutions sector at the TAGS Awards 2025 organised by CA Sri Lanka
- Second Runner Up in the Finance and Leasing Sector at the CMA Excellence in Integrated Reporting Awards 2025 organised by CMA Sri Lanka
- Winner of Finance & Leasing (Private) Sector and Top Forty Outstanding Companies awards at the Best Management Practices Company Awards 2026 organised by CPM Sri Lanka
- Achieved Great Place to Work Certification
- Launched mobile and internet banking services, enhancing convenience and digital access for customers
- Initiated a 5-acre reforestation project in collaboration with the Forest Conservation Department, further advancing our sustainability journey





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# An Overview of the Company


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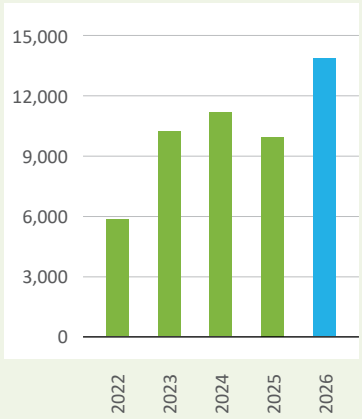

# Performance Highlights

| Financial Performance | | 2025/26 | 2024/25 |
|---|---|---|---|
| Gross Income | LKR Mn. | 18,493 | 13,278 |
| Net Interest Income | LKR Mn. | 8,629 | 5,505 |
| Total Operating Income | LKR Mn. | 11,527 | 7,980 |
| Income Taxation | LKR Mn. | (1,029) | (656) |
| Profit after Taxation | LKR Mn. | 1,681 | 765 |
| **Financial Position** | | | |
| Total Assets | LKR Mn. | 94,395 | 58,503 |
| Lending Portfolio | LKR Mn. | 76,332 | 44,839 |
| Total Deposit Base | LKR Mn. | 68,927 | 42,218 |
| Borrowings | LKR Mn. | 10,500 | 4,768 |
| Shareholder's Funds | LKR Mn. | 9,256 | 7,587 |
| **Investor Information** | | | |
| Earnings Per Share | LKR per share | 0.81 | 0.43 |
| Net Assets Per Share | LKR per share | 4.45 | 4.27 |
| **Key ratios** | | | |
| Return on Average Equity | % | 19.96 | 11.54 |
| Return on Average Assets | % | 2.20 | 1.37 |
| Interest Cover | Times | 1.62 | 1.43 |
| Debt-to-Equity Ratio | Times | 8.58 | 6.19 |
| Quick asset Ratio | Times | 0.26 | 0.29 |
| **Statutory Ratios** | | | |
| Core capital to risk-weighted assets ratio (Tier I) | % | 9.61 | 11.38 |
| Total risk-weighted capital ratio (Tier I and II) | % | 13.07 | 14.44 |



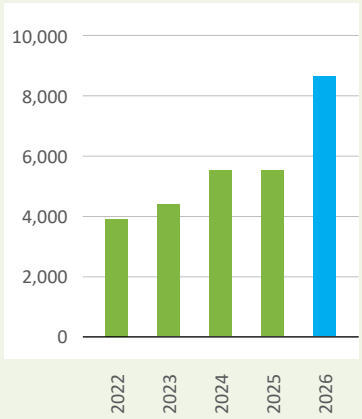
## Gross income

LKR Mn. 39% ▲



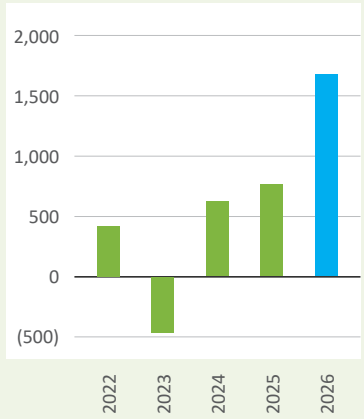

## Net interest income

LKR Mn. 57% ▲



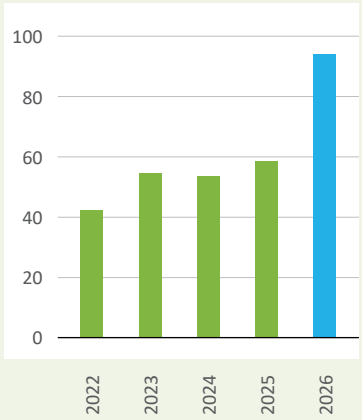

## Profit after taxation

LKR Mn. 120% ▲



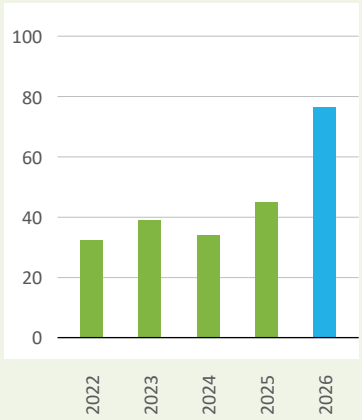

## Total assets

LKR Bn. 61% ▲



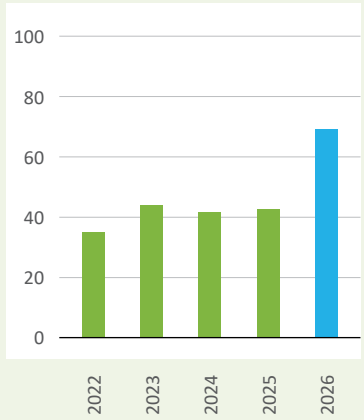

## Lending portfolio

LKR Bn. 70% ▲



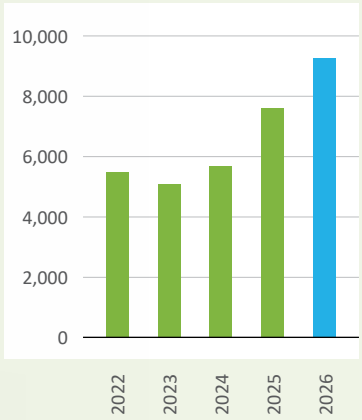

## Total deposit base

LKR Bn. 63% ▲




## Shareholder's funds

LKR Mn. 22% ▲



## Performance Highlights

### HUMAN CAPITAL



### Total Workforce

**1,907**

2024/25: **1,931**

**Male Representation**

**79%**

**1,510**

2024/25: **1,580**

**Female Representation**

**21%**

**397**

2024/25: **351**

| New Recruits | Employees Completed 10 Years of Service | Investment in Training and Development | Number of Staff Promotions |
|---|---|---|---|
| | | LKR Mn. | |
| **619** | **303** | **36.06** | **333** |
| 2024/25: **661** | 2024/25: **318** | 2024/25: **56.03** | 2024/25: **178** |

## SOCIAL AND RELATIONSHIP CAPITAL

| Number of Customers | Number of CSR Activities | CSR Investments (LKR Mn.) | Financial Literacy Programmes | Financial Literacy Participants | Economic Value Added (LKR Mn.) |
|---|---|---|---|---|---|
| **275,000+** | **12** | **11** | **7** | **500+** | **17,803** |
| 2024/25: **264,000+** | 2024/25: **22** | 2024/25: **4** | 2024/25: **11** | 2024/25: **1,200+** | 2024/25: **12,959** |

## MANUFACTURED CAPITAL

| Branches | Branches outside Western Province | Investment in Property Plant and Equipment (LKR Mn.) |
|---|---|---|
| **76** | **55** | **170** |
| 2024/25: **79** | 2024/25: **58** | 2024/25: **133** |

## NATURAL CAPITAL

| Electricity Consumption (Units) | Water Consumption (Units) |
|---|---|
| **2,509,467** | **21,052** |
| 2024/25: **2,512,902** | 2024/25: **21,352** |

## INTELLECTUAL CAPITAL

Fitch Rating

**"A(lka)" Stable Outlook**

2024/25:
**"A(lka)"**
**Stable Outlook**



# Upholding Integrity through Transparency, Accountability, Governance and Sustainability




### Integrated Thinking and Reporting

The company utilises the Integrated Reporting <IR> Framework to provide a comprehensive view of its financial and non-financial performance, illustrating how value is created, preserved, or eroded across the six capitals in alignment with its interconnected operations and long-term strategy.

### Financial Clarity and Compliance

The company maintains the integrity, clarity, and consistency of its financial reporting by strictly adhering to Sri Lanka Accounting Standards, the Inland Revenue Act, and all statutory requirements, ensuring transparency, accuracy, reliability, and auditability of all disclosures.

### Stakeholder Dialogue and Disclosure

The company fosters open and constructive stakeholder engagement through regular, transparent communication channels such as quarterly updates, investor briefings, digital platforms, and proactive media outreach to ensure timely information sharing, informed dialogue, and strengthened stakeholder confidence.

### Assured Financial Integrity

The Board Audit Committee offers independent oversight of the accuracy and reliability of the Company's disclosures, reinforced by the independent audit for the year ended 31 March 2026 financial statements by Messrs. KPMG, ensuring their credibility and integrity.

### Transparent ESG Communication

The Company's voluntary ESG disclosures adhere to recognised frameworks like GRI Standards and the UN Sustainable Development Goals, ensuring transparent and comprehensive communication of its sustainability performance and commitments to stakeholders.

### Interactive Digital Access

The Company improves stakeholder engagement by offering an intuitive and interactive website platform that provides easy access to key data, insights, and disclosures.

### Board Accountability and Strategic Oversight

The Board of Directors ensures strong oversight of corporate strategy, risk management, and regulatory compliance through well-defined KPIs focused on creating sustainable, long-term stakeholder value.

### Independent Oversight Structures

The Board Audit Committee and the Board Integrated Risk Management Committee provide independent oversight, enhancing governance by monitoring financial performance, risk management, regulatory compliance, technology and internal controls across the Company's operations.

### Transparent Remuneration Governance

The Board Human Resources and Remuneration Committee ensures transparent, equitable, and performance-aligned remuneration practices that support the Company's strategic goals and promote accountability throughout the organisation.

### Regulatory Compliance

The Company fully complies with all applicable directives and regulations from the CBSL, CSE, SEC, and other authorities to ensure legal adherence, accountability, and good governance in its financial and operational practices.

### Corporate Governance Framework

The Company's corporate governance framework, aligned with CBSL and CSE best practices, fosters ethical leadership, ensures regulatory compliance, and supports the creation of sustainable long-term stakeholder value.

### Delegation of Authority

The Company's structured Delegation of Authority framework clarifies decision-making responsibilities across management levels, enhancing accountability, consistency, and operational efficiency.

### Board and Board Sub-Committee Meetings

The Board comprised of individuals with extensive expertise, diverse backgrounds, and varied experiences that bolster decision-making and governance practices and its sub-committees meet regularly to set strategic direction, monitor organisational performance, and ensure transparency and accountability in governance.

### Internal Controls

The Company's strong internal controls includes segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks and promote operational efficiency and sound governance.




## Independent Governance Functions

The Company's independent risk management, compliance, and internal audit functions provide objective oversight that strengthens governance, improves internal controls, and supports effective risk mitigation.

## Code of Conduct and Ethics

The Company's Code of Conduct, upheld through ongoing training and formal declarations, sets the standard for ethical behaviour, integrity, and professionalism throughout the organisation.

## External Audit and Third-Party Governance Assurance

An independent audit by Messrs. KPMG confirms the accuracy and reliability of the Company's financial disclosures, its compliance with Sri Lanka Accounting Standards and statutory requirements, and reinforces its commitment to upholding both local and international governance standards.

## Senior Management

Led by an experienced senior management team, the Company emphasises strategic execution, operational excellence, regulatory compliance, strong governance practices, and a culture of ethical performance throughout the organisation.

## Related Party Transactions

Related party transactions are reviewed in accordance with regulatory requirements, and transparently disclosed to promote fairness, accountability, and stakeholder protection.

## Strategic Oversight Through Board Leadership

The Board of Directors remains a key pillar of the Company's strategic direction, comprised of individuals with extensive expertise, diverse backgrounds, and varied experiences.

## Sustainability at the Core

The Company systematically integrates ESG principles into its lending and operational decisions to foster responsible, inclusive, and ethical practices that support long-term value for stakeholders and the community.

## Green Finance and Responsible Lending

The Company's portfolio includes green and inclusive financial solutions such as microfinance for women's empowerment and agriculture, along with digital financial products that advance sustainability and broader financial inclusion, reflecting its commitment to responsible lending.

## Environmental Accountability

The Company's environmental stewardship, guided by SLFRS S1 and S2, includes monitoring emissions, reducing waste, promoting recycling, reforestation, and achieving energy efficiency through a structured approach.

## Digital Transformation for a Greener Future

The Company uses digital innovation such as mobile apps, e-statements, paperless onboarding, and automation to advance its sustainability goals by reducing resource use, improving efficiency, and minimising its environmental impact.

## Community Impact through Financial Literacy

The Company's CSR efforts aim to create meaningful community impact through financial literacy, education, disaster resilience, and healthcare programs, supporting national development and social equity.

## Financial Inclusion

The Company is dedicated to promoting financial inclusion by offering accessible, innovative products and services, supported by targeted financial literacy programs especially for women and underserved communities and digital platforms that foster greater access, economic participation, and inclusive growth.

## Sustainable Partner Engagement

The Company collaborates with suppliers and partners who share its ESG principles to promote responsible practices and build long-term, value-driven relationships.

# Awards and Accolades

## 2023/24

### CA TAGS Awards 2023

Bronze award in Total Group Assets Above LKR 20 Bn. Category in the NBFI sector by the Institute of Chartered Accountants of Sri Lanka

### CMA Excellence in Integrated Reporting Awards 2023

Merit Award by Institute of Certified Management Accountants of Sri Lanka

### ACEF Global Customer Engagement Awards 2024

Silver Award for the Digital Marketing Effectiveness




## 2025/26

### CA TAGS Awards 2025

Silver award in Total Group Assets Between LKR 25 – 75 Bn. Category in the Finance Companies, Leasing Companies & Other Financial Institutions sector by the Institute of Chartered Accountants of Sri Lanka

Certificate of Recognition for Corporate Governance Disclosure for Financial Services

Certificate of Recognition for Integrated Reporting




### CMA Excellence in Integrated Reporting Awards 2025

Second Runner Up in the category of Best Integrated Report, Finance and Leasing Sector

Merit award in the overall Integrated Reporting category






## 2024/25

### CA TAGS Awards 2024

Bronze award in Total Group Assets Between LKR 25 – 75 Bn. Category in the Finance Companies, Leasing Companies & Other Financial Institutions sector by the Institute of Chartered Accountants of Sri Lanka

### BestWeb.lk 2024

Silver Award for the Best Finance and Insurance Website

### The Great Place to Work

Certification in 2024/25




## 2025/26

### The Best Management Practices Company Awards 2026

Sector winner for Finance & Leasing (Private Sector) and one of the Forty Outstanding Companies

Award for Forty outstanding companies

### BestWeb.lk 2025

Gold Award for Most Popular Website and the Bronze Award for Best Finance & Insurance Website

### The Great Place to Work Certification in 2025/26

# Chairman's Review



Mr Rajive Dissanayake
Chairman

**"The year affirmed the strength of our strategic direction, with robust growth, improved portfolio quality and record financial performance demonstrating our ability to grow responsibly and sustainably."**

## A year of accelerated progress

The financial year 2025/26 was a defining year for HNB Finance PLC, as the Company translated the strategic recalibration undertaken in previous years into measurable results. Having entered the year with a clearer business model, stronger governance discipline and renewed confidence in the direction of the Sri Lankan economy, HNB Finance was able to convert opportunity into performance while remaining anchored to prudence, resilience and long-term value creation.

Sri Lanka's operating environment continued to improve during the year, supported by macroeconomic stabilisation, contained inflation, recovering domestic demand and more supportive financial conditions. Lower interest rates, stronger tourism earnings, increased workers' remittances and improved business confidence helped create a more enabling environment for financial intermediation.

At the same time, the recovery remained exposed to external and domestic vulnerabilities, including geopolitical tensions, energy price volatility, evolving regulatory expectations and the need to sustain fiscal and structural reforms.

Against this backdrop, the Board remained focused on two connected priorities: enabling the Company to capture growth opportunities created by the economic recovery, and ensuring that such growth was pursued within a disciplined governance, risk and capital framework. This balance between ambition and caution continued to guide our deliberations throughout the year.

From a Board perspective, FY 2025/26 was a year in which HNB Finance delivered the strongest financial performance in its history. The Company achieved a Profit After Tax of LKR 1.68 Bn., supported by strong portfolio expansion, improving asset quality, enhanced deposit mobilisation and disciplined execution of its strategic priorities. The loan portfolio grew by 70% during the year, reflecting the improved market environment as well as the Company's strengthened capacity to originate and manage business across its chosen segments.

Importantly, this growth was accompanied by a continued transformation of the portfolio toward greater security and resilience. Above 90% of the portfolio is now represented by secured assets, reflecting a deliberate strategic shift away from higher-risk unsecured exposures towards a more sustainable lending model. This transition is central to the Board's long-term view of the Company: that growth must be supported by asset quality, recoverability and capital discipline.

## Strategic transformation and asset quality

The progress achieved during the year confirms the relevance of the strategic direction we set in motion earlier. The Company's transformation is not merely about expanding the balance sheet. It is about building a stronger, better governed and more scalable financial institution capable of serving customers responsibly while protecting the interests of depositors, shareholders and other stakeholders.

Asset quality remained one of the most important areas of Board oversight. The improvement in the operating environment supported repayment capacity and recovery performance, but the Board recognises that sustainable asset quality depends ultimately on internal discipline. Accordingly, we continued to reinforce credit governance through strict underwriting standards, diversifying of the lending portfolio, strengthened recovery oversight and periodic portfolio reviews.

A robust loan review mechanism was implemented to identify emerging weaknesses at an early stage and enable timely corrective action. The Company also maintained a well-defined credit scoring model to assess probability of default at origination, supported by early warning indicators and portfolio monitoring. Particular attention was placed on separately monitoring newer loan vintages and exposures originated during the COVID and financial crisis periods, thereby enabling more meaningful assessment of portfolio behaviour and risk mitigation.

**The strength of the HNB franchise continues to underpin our progress, supporting funding resilience, customer trust and the ongoing evolution of HNB Finance as a stronger and more future-ready institution.**

This sharper credit oversight has supported the Company's transition towards a more secure and resilient business model while helping minimise provisioning pressure. It has also provided a stronger foundation for sustainable profitability.

## The strength of the HNB alliance

A defining source of strength for HNB Finance continues to be its relationship with Hatton National Bank PLC, one of Sri Lanka's leading commercial banks and our parent entity. This strategic alliance remains a cornerstone of the Company's growth, governance and stakeholder confidence.

The HNB brand carries deep trust across Sri Lanka's financial landscape. For HNB Finance, this association has been invaluable in reinforcing market credibility, supporting deposit mobilisation and enhancing customer confidence. In a financial services environment where trust is fundamental, the connection to HNB provides stakeholders with a strong signal of institutional stability, governance discipline and long-term commitment.

The benefits of this alliance extend beyond brand association. HNB Finance continues to draw strength from the wider HNB ecosystem, including access to operational knowledge, governance practices, compliance discipline and a broader financial services perspective. The alignment with HNB's well-established governance frameworks has supported the strengthening of internal controls, ethical conduct and risk oversight within HNB Finance. This is particularly important as the Company grows in scale and prepares to become a systemically important NBFI in the Country.

The partnership has also supported customer convenience and accessibility. The integration with HNB's ATM infrastructure has improved access for customers, while the broader relationship has helped reinforce confidence among depositors and other stakeholders. During the year, enhanced deposit mobility, supported by the strength of the HNB brand, contributed positively to the Company's funding resilience.

The HNB alliance is equally important in the context of digital transformation. As customer behaviour shifts increasingly towards digital channels, HNB Finance benefits from being part of a Group that has already invested significantly in digital technologies, payment platforms and customer experience innovation. This alignment supports our own transformation agenda and strengthens our ability to modernise service delivery while remaining consistent with the standards expected of the HNB Group.

In this sense, the HNB relationship is not merely structural. It is strategic. It supports our growth ambitions, strengthens governance credibility, enhances customer trust and reinforces our ability to operate as a responsible financial institution within a larger financial ecosystem.

## Governance and Board oversight

Good governance remained central to the Company's progress during the year. The Board continued to provide oversight over strategy, risk management, capital, liquidity, compliance, sustainability and stakeholder accountability. As the Company grows and moves closer to being classified as a Systemically Important Licensed Finance Company, harnessing a robust governance regime becomes even more critical.

During the year, the Company maintained full compliance with the regulatory governance requirements stipulated by the Central Bank of Sri Lanka and the Colombo Stock Exchange. Further there were no reported violations of the Company's established Code of Conduct and Ethics during the financial year under review.

Board and Board Committee effectiveness were further strengthened through clearer mandates, structured self-assessments and ongoing review of key policies. The Company's governance structure is not overseen solely by regulatory subcommittees; it also includes non-regulatory subcommittees that effectively manage strategic and governance-related decisions.

The Board also placed emphasis on ensuring that internal policies remained aligned with regulatory developments and evolving business needs. Key policies were reviewed and updated, while the effectiveness of internal controls continued to be monitored through the Board Audit Committee. Proper disclosures to stakeholders were maintained through CSE announcements, quarterly reporting and the Annual Report.

It was encouraging to see the Company's commitment to governance, transparency and integrated reporting recognised externally during the year, including through awards at the TAGS Awards 2025 and the CMA Excellence in Integrated Reporting Awards 2025. Such recognition affirms the Company's commitment to high-quality stakeholder communication and responsible corporate conduct.

## Risk, liquidity and capital discipline

During the year, HNB Finance PLC remained committed to maintaining a robust risk management framework, safeguarding liquidity, and upholding strict capital discipline to ensure long-term stability and resilience. Credit risk was managed through strict underwriting and strengthened recovery strategies. Liquidity risk was addressed through enhanced deposit mobilisation, maintenance of prudent buffers, management of concentration risk, minimisation of mismatches and securing of funding lines.

Operational risk management also continued to improve through greater automation, stronger controls, process standardisation, Risk and Control Self-Assessments, scenario analysis, root cause analysis and regular Disaster Recovery drills. Cybersecurity received heightened attention, reflecting the growing threat landscape across the financial sector. Enhanced security measures, including Data Loss Prevention, information rights management, multi-factor authentication, encryption and ongoing monitoring, were enhanced to protect systems, data and customers.

Regulatory and compliance risks were proactively managed through strengthened governance, policy alignment and Board oversight. The year also saw several regulatory developments that influenced Board deliberations, including updated loan-to-value requirements for vehicle financing, revisions to deposit and debt instrument interest rate frameworks, enhanced liquidity risk management requirements, recovery planning requirements and directions relating to beneficial ownership.

## Capital discipline was another major priority

Considering future growth prospects and the potential classification of the Company as a Domestic Systemically Important Licensed Finance Company upon reaching an asset base of LKR 100 Bn., the Board resolved in March 2026 to raise LKR 2.5 Bn. in Tier 1 capital and LKR 1 Bn. in Tier 2 capital. This decision reflects the Board's conviction that growth must be supported by a capital base capable of absorbing shocks, meeting regulatory expectations and funding strategic expansion.

Upon completion of the proposed capital infusion, the Company is expected to be well capitalised to support sustainable long-term growth. Internal capital generation will also continue to play an important role in strengthening the Company's financial foundation.

## Digitalisation and organisational capability

Digitalisation remained a critical enabler of the Company's medium- and long-term strategy. During the year, the Board supported the acceleration of technology transformation through adaptation of modern cloud enabled technology and the upgrade of the core system, which is expected to enable modern technology adaptation to strengthen digital capabilities, enable seamless integration and improve operational scalability.

This investment is not limited to technology infrastructure. It is an investment in customer experience, process efficiency, data quality, risk management and future readiness. A more modern core platform will support improved service delivery, better decision-making and stronger integration across business processes.

**Through strengthened ESG oversight and targeted environmental and social initiatives, we continue to build a business that delivers long-term value for stakeholders and society alike.**

However, digital transformation can only succeed when supported by organisational capability. Therefore, the Board continued to focus on human capital development, particularly in relation to the skills required to manage the Company's evolving business model. Capacity development, leadership continuity and retention of key talent remained important priorities.

Succession planning was strengthened through the identification of successors for key positions, leadership development initiatives, training and coaching for identified individuals, and ongoing monitoring of critical talent retention. These actions are essential to sustaining organisational stability as HNB Finance enters a more complex phase of growth.

## Sustainability and national contribution

Sustainability continued to receive Board-level attention during the year. ESG performance was reviewed quarterly through a dashboard submitted to the Board Strategic and Investment Review Committee. The Company's ESG Policy was updated, and carbon tracking processes were strengthened through collaboration with Climate Smart Initiatives to measure and monitor emissions.

Environmental initiatives included the afforestation project undertaken in collaboration with the Forest Department to restore degraded forest land, as well as continued responsible e-waste management. These initiatives reflect our commitment to reducing environmental impact and contributing to national climate resilience.

On the social front, HNB Finance continues to support national development by serving unbanked and underbanked communities. The Company's inclusive financial model enables access to finance for individuals and small businesses that may otherwise remain outside the formal financial system. Financial literacy workshops conducted during the year further supported responsible borrowing, savings behaviour and financial empowerment.

The Company's long-term strategy remains aligned with national economic priorities through support for financial inclusion, digitalisation, customer-centric services, green lending, employment generation and human capital development.

## Future outlook

Looking ahead, the Board remains cautiously optimistic about the medium-term prospects of HNB Finance. Sri Lanka's economic recovery provides a stronger operating platform than in recent years, but the environment continues to carry material risks. Expected moderation in private sector credit growth points to a more competitive and selective lending environment. Rising interest rate pressures, global conflicts, possible fuel price increases, exchange rate volatility, inflationary pressures, cybersecurity threats and liquidity dynamics will require close monitoring.

The Board will continue to guide the Company with discipline and foresight. Our medium-term focus will be on strengthening digital capabilities, developing organisational capacity to operate as a larger and Domestic Systemically Important Finance Company, promoting disciplined growth, enhancing asset quality, improving profitability and strengthening our position within the industry.

The Company will continue to prioritise sustainable organic growth, while selectively consider inorganic growth opportunities which are strategically compelling and value accretive.

Our objective is not growth for its own sake. It is to build a stronger, better capitalised, more digitally enabled and more trusted financial institution capable of creating value for customers, employees, shareholders and the wider economy.

## Appreciation

I take this opportunity to express my sincere appreciation to my fellow Directors for their guidance, commitment and stewardship during a year of strong progress. I also thank the Chief Executive Officer, Senior Management and all employees of HNB Finance for their dedication, professionalism and resilience in delivering a historic performance.

I extend our gratitude to Hatton National Bank PLC for the continued strength, support and confidence provided as our parent entity. The HNB alliance remains central to our progress and will continue to be a source of trust and strategic advantage.

I also acknowledge with appreciation the guidance of the Central Bank of Sri Lanka, the Colombo Stock Exchange and all regulatory authorities. To all our shareholders, depositors, customers, business partners and other stakeholders, thank you for the confidence placed in HNB Finance.

As we move forward, we remain committed to responsible growth, disciplined governance and inclusive value creation, confident in our ability to contribute meaningfully to Sri Lanka's financial sector and national economic progress.



Rajive Dissanayake
Chairman
5 June 2026

# Managing Director/Chief Executive Officer's Review



Mr Chaminda Prabhath
Managing Director/CEO

**"Our strategic transition towards a more diversified and secured lending portfolio continued to deliver results, strengthening asset quality, enhancing resilience and supporting sustainable growth."**

The financial year 2025/26 marked a defining phase in HNB Finance PLC's ongoing transformation journey, as the strategic recalibrations initiated during previous years began to yield measurable and sustainable outcomes. Against a backdrop of gradually improving macroeconomic conditions and evolving market expectations, we remained firmly focused on strengthening the Company's operational resilience, enhancing portfolio quality, and building a more balanced and future-ready business model.

The progress achieved during the year reflects not only the effectiveness of our strategic direction, but also the collective commitment demonstrated across the organisation. Having navigated one of the most challenging economic periods in recent history, HNB Finance entered 2025/26 with renewed momentum and greater clarity of purpose. Our efforts throughout the year were directed toward consolidating financial stability, improving operational efficiencies, accelerating digital transformation, and reinforcing the foundations necessary for long-term sustainable growth.

Our performance during the year validates this disciplined approach. The Company recorded strong growth across key financial indicators, while simultaneously improving asset quality and strengthening the secured component of the lending portfolio. These achievements reflect the successful execution of a carefully aligned strategy centered on prudent risk management, customer-focused portfolio diversification, and operational transformation.

## Strategic transformation and portfolio realignment

Over the past several years, HNB Finance has deliberately transitioned from a predominantly microfinance-focused institution toward a more diversified and balanced financial services provider. During the year under review, this strategic transformation gained further momentum and produced significant operational and financial benefits.

A key priority remained the strengthening of our secured lending portfolio. Through disciplined portfolio restructuring and targeted growth initiatives, we significantly improved the composition of the portfolio, with secured lending now representing above 90% of the overall lending base. This transition has substantially strengthened the quality, resilience, and long-term sustainability of our asset portfolio.

Simultaneously, we continued to expand our presence within leasing and gold loan segments, both of which contributed positively toward portfolio growth and profitability. The leasing portfolio, in particular, demonstrated strong momentum during the year, supported by improving market conditions and renewed economic activity.

These developments allowed us to strategically reposition the Company toward lower-risk and more stable revenue-generating segments.

Importantly, while we moderated our exposure to higher-risk unsecured lending categories, we remained committed to supporting underserved communities and financially vulnerable customer segments through more structured and responsible financing mechanisms. Our microfinance operations therefore evolved toward a more secured and disciplined framework, supported by strengthened credit assessment methodologies and improved recovery structures.

## Asset quality and recovery management

One of the most notable achievements during the year was the substantial improvement in asset quality. The Company successfully reduced its Non Performing Loans (NPL) ratio by 7% in 2025/26, reflecting the effectiveness of our enhanced recovery strategies and strengthened credit governance framework.

This progress was achieved through several focused operational initiatives. During the year, we further strengthened the recovery function by appointing experienced leadership and empowering dedicated recovery teams to implement more targeted and disciplined collection strategies. Particular emphasis was placed on managing legacy microfinance exposures, which historically represented the largest component of the impaired portfolio. As a result, the majority of the residual NPA exposure continues to originate from legacy portfolios, while the newer leasing and secured lending segments continue to demonstrate significantly stronger performance characteristics.

**Our digital transformation agenda is fundamentally about building a more agile, efficient and future-ready institution, where technology strengthens customer experience, governance and long-term competitiveness.**

Additionally, the establishment and strengthening of a centralised credit function enabled the Company to implement more robust credit evaluation processes and improve overall lending discipline. Larger credit decisions were centralised to ensure stronger oversight, while short term, low-principal activities were streamlined through branch-level operations supported by enhanced staff training and improved operational controls. These measures collectively contributed toward strengthening credit quality and minimising future portfolio vulnerabilities.

## Financial performance

The financial year under review represents one of the strongest performances recorded by HNB Finance in recent years. The Company achieved exceptional growth across several key performance indicators, demonstrating the success of our transformation strategy, operational discipline, and focused execution.

Gross income increased substantially during the year, while Net Interest Income recorded strong growth supported by disciplined asset-liability management and portfolio expansion. Profit After Tax reached LKR 1.68 Bn., reflecting a remarkable 120% growth over the previous financial year, driven by stronger operational efficiency, improved portfolio quality, enhanced recovery performance, and prudent financial management.

The Company's total asset base expanded by 61% during the year, supported by robust growth in the lending portfolio and continued success in deposit mobilisation. The Gross Loan Book recorded an impressive growth of 64%, underpinned by strong performance across key lending segments. Gold Loan operations continued their strong momentum with an 80% increase during the year, while the leasing portfolio achieved exceptional growth of 98%, reflecting increased market penetration and customer confidence in the Company's product offerings.

Deposits continued to demonstrate stability and customer confidence in the institution, while improved profitability strengthened overall shareholder value creation.

Return on Equity (ROE), Return on Assets (ROA), and Net Interest Margin (NIM) also improved during the year, reflecting the benefits of portfolio optimisation, stronger recovery performance, and disciplined financial management. Collectively, these achievements underscore the effectiveness of the strategic transformation undertaken over the past several years.

## Digital transformation and operational modernisation

The Company also continued to accelerate its digital transformation agenda during the year, with a strong focus on building a more agile, technology-enabled, and customer-centric operating model. Rather than pursuing digitalisation as a standalone initiative, HNB Finance adopted a structured approach aimed at strengthening operational efficiency, improving customer experience, enhancing governance, and embedding institutional knowledge within systems and processes.

Several significant milestones were achieved during the year in support of this transformation journey. The Company commenced the implementation of a next-generation Core Banking System in partnership with Kiya.ai,

which is expected to strengthen system integration, scalability, automation, and future digital innovation capabilities. At the same time, workflow automation initiatives and the wider adoption of Microsoft 365 and cloud-based collaboration tools improved operational coordination, process standardisation, and information accessibility across the organisation.

A key highlight during the year was the introduction of the Company's Mobile and Internet Banking platforms, marking a significant milestone in its digital transformation journey. These platforms enhanced customer convenience by providing secure, anytime-anywhere access to banking services, strengthening digital engagement and supporting the delivery of a more responsive and seamless customer experience. Complementing this initiative, the Company also launched a digitally enabled Loan Origination System (LOS), which streamlined the lending process through automated workflows and verification protocols, improved turnaround times, strengthened credit quality at origination, and enabled more disciplined credit evaluation. Together, these initiatives further reinforced the Company's commitment to leveraging technology to enhance operational efficiency and customer service excellence.

The Company further strengthened its focus on data governance, cybersecurity, and operational resilience through the enhancement of information security controls, including strengthened access management practices, encryption standards, Data Loss Prevention (DLP) capabilities, and improved monitoring and protection mechanisms across critical technology environments. These initiatives supported the secure management of information assets, strengthened regulatory compliance, enhanced data protection capabilities, and reduced cyber risk exposure across the organisation. Collectively, these efforts reflect HNB Finance's commitment to maintaining a secure and resilient digital operating environment while supporting sustainable growth, customer trust, and operational excellence.

### Risk management

Risk management continued to remain a central pillar supporting HNB Finance's transformation journey and long-term resilience. During the year, the Company further strengthened its enterprise-wide risk management framework through enhanced credit governance, centralised oversight structures, improved recovery management practices, and stronger portfolio monitoring capabilities. In parallel, increasing emphasis was placed on operational resilience, cybersecurity, data governance, and regulatory compliance in response to the evolving digital and risk landscape. ESG considerations and sustainability-related risks also continued to be progressively integrated into governance and risk management discussions, supporting a more balanced and forward-looking approach toward long-term value creation and institutional stability.

## Human capital and organisational transformation

Our employees remain the driving force behind HNB Finance's transformation journey. During the year under review, we continued to invest in strengthening organisational capabilities, developing leadership capacity, and fostering a culture aligned with our evolving strategic direction.

Given the Company's historical roots in microfinance, a significant operational shift was required to realign employee capabilities toward leasing, secured lending, and diversified financial solutions. Extensive training, staff development initiatives, and operational restructuring programmes were therefore implemented to support this transition.

We also remained focused on enhancing employee engagement, succession planning, and workforce capability development amidst broader industry-wide talent migration challenges. These efforts were further reinforced through structured learning programmes, leadership development initiatives, and investments in employee well-being and organisational culture.

Our continued recognition as a Great Place to Work reflects the progress achieved in creating a supportive, performance-driven, and inclusive workplace environment.

## Sustainability and responsible finance

Sustainability and responsible finance remained key priorities within HNB Finance's long-term strategic agenda during the year, with the Company further strengthening the integration of Environmental, Social, and Governance (ESG) considerations across governance, risk management, operational activities, and strategic decision-making. As part of this approach, HNB Finance continued enhancing its sustainability governance framework through the implementation of its Board-approved ESG Policy, greater ESG integration within enterprise risk management, and strengthened sustainability oversight aligned with evolving regulatory and stakeholder expectations.

**We remain committed to building a resilient and responsible institution by advancing sustainable finance, strengthening environmental stewardship and expanding access to financial services across the communities we serve.**

During the year, the Company also made meaningful progress in strengthening environmental sustainability and climate-related awareness initiatives. Structured greenhouse gas (GHG) emissions assessments were initiated to improve environmental monitoring and support future sustainability reporting readiness, while renewable energy generation through solar power, responsible energy consumption, e-waste management, and paper recycling initiatives continued across operations. Responsible finance initiatives were further strengthened through support for energy-efficient and electric vehicle financing solutions, reflecting the Company's growing focus on sustainable lending practices.

Financial inclusion and community empowerment also remained central to the Company's sustainability approach. HNB Finance continued supporting underserved communities, women entrepreneurs, and rural sectors through responsible financing and financial literacy initiatives, while the launch of internet and online banking services during the year further enhanced customer accessibility and digital financial inclusion. Internally, the Company continued investing in employee wellbeing, learning and development, diversity, and workforce engagement initiatives to support a resilient and future-ready workforce.

Governance, ethical conduct, cybersecurity, and operational resilience also remained integral to the Company's sustainability agenda. During the year, HNB Finance further strengthened information security governance, cybersecurity monitoring capabilities, business continuity planning, and compliance frameworks in line with evolving digital and regulatory requirements, supporting transparency, stakeholder confidence, and long-term institutional resilience.

## Operating environment

The operating environment during the year presented both opportunities and challenges for the financial services sector. While improving macroeconomic conditions, easing inflationary pressures, and renewed economic activity supported business expansion and portfolio growth, global geopolitical uncertainties and evolving market dynamics continued to require prudent risk management and operational agility.

The easing of vehicle import restrictions during the year and improving consumer confidence supported growth within the leasing sector, while lower inflation and more stable interest rates created a more conducive environment for business activity and customer affordability. HNB Finance was well-positioned to capitalize on these developments through its strengthened secured lending portfolio and diversified product offering.

Nevertheless, external risks including geopolitical tensions, global fuel price volatility, and broader economic uncertainty continue to require careful monitoring, particularly given their potential impact on regulatory responses from the government, customer affordability, recovery performance, and overall economic stability.

## Appreciation

As we conclude another transformative year in HNB Finance's journey, I wish to extend my sincere appreciation to all stakeholders who contributed toward our progress and success.

I express my heartfelt gratitude to our Chairman and Board of Directors for their strategic guidance, unwavering support, and prudent oversight throughout the year. Their leadership has been instrumental in steering the Company through a period of significant transformation and growth.

I also extend my appreciation to the entire HNB Finance team. The resilience, dedication, and adaptability demonstrated by our employees during this transformative period have been truly commendable. Their commitment continues to define our culture and drive our progress.

My sincere thanks also go to the Central Bank of Sri Lanka and other regulatory authorities for their guidance and continued support. I also acknowledge our shareholders, investors, business partners, and customers for the confidence and trust they continue to place in HNB Finance.

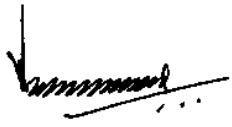
Above all, I thank our customers whose loyalty and partnership remain the foundation of our continued growth and success.

## Future outlook

Looking ahead, we remain cautiously optimistic regarding the future trajectory of both the Sri Lankan economy and HNB Finance PLC. The strategic transformation undertaken over the past several years has significantly strengthened the Company's foundations and positioned us to capitalise on emerging growth opportunities with greater resilience and confidence.

Our future priorities will remain centered on strengthening asset quality, expanding secured lending segments, accelerating digital transformation, improving operational efficiencies, and enhancing customer engagement. Simultaneously, we will continue reinforcing governance standards, risk management practices, and sustainability integration across the organisation.

As we continue this journey, HNB Finance remains firmly committed to creating long-term sustainable value for all stakeholders while contributing meaningfully toward Sri Lanka's broader economic recovery and financial inclusion agenda.



Chaminda Prabhath
Managing Director/CEO
5 June 2026



2

# Operating Environment

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# Stakeholder Engagement

**Stakeholder engagement is an important part of how HNBF builds trust, understands expectations, and creates long-term value. During FY 2025/26, this became especially important as the Company continued its transformation towards a more secured, risk-calibrated, digitally enabled, and customer-focused business model.**

Through ongoing dialogue and structured engagement, HNBF was able to better understand stakeholder priorities, respond to emerging concerns, and align its decisions with the needs of the people and institutions connected to its business. This engagement supported stronger decision-making, responsible conduct, improved service delivery, and greater confidence in the Company's long-term direction.

## Stakeholder engagement principles

HNBF's stakeholder engagement approach is guided by principles that help ensure relationships remain meaningful, responsible, and aligned with the Company's long-term value creation agenda. These principles shape how the Company communicates, listens, responds, and builds trust across its stakeholder network.

### Accessibility

Accessibility is central to HNBF's engagement model. The Company recognises that stakeholders must be able to reach the organisation through channels that are practical, inclusive, and relevant to their needs. For customers, this means access through branches, digital platforms, call centre support, complaint channels, customer visits, workshops, emails, and mobile applications.

This is particularly important for customers in rural and semi-urban communities, where direct interaction and relationship-based service continue to play a significant role. By maintaining both physical and digital engagement channels, HNBF ensures that stakeholder engagement remains accessible to diverse customer and community segments.

### Transparency

Transparent communication strengthens confidence in HNBF's decisions, products, services, governance, and long-term direction. The Company seeks to provide stakeholders with clear, timely, and relevant information through annual reporting, regulatory disclosures, customer communication, investor engagement, and day-to-day service interactions.

This transparency also supports informed decision-making by customers, shareholders, employees, suppliers, regulators, and communities. It helps stakeholders understand how HNBF manages performance, risk, compliance, sustainability, and value creation.

### Responsiveness

HNBF's engagement approach places strong emphasis on responding to stakeholder concerns in a timely and responsible manner. Customer complaints, service requests, regulator queries, employee concerns, supplier feedback, and shareholder expectations are handled through established processes and assigned ownership.

Responsiveness enables the Company to identify issues early, resolve concerns more effectively, and strengthen confidence in its service culture. It also allows HNBF to continuously improve products, processes, communication, and stakeholder relationships.

### Constructive engagement

HNBF views stakeholder engagement as a constructive process rather than a one-way communication exercise. Engagement with customers helps the Company understand affordability, product relevance, service quality, and financial inclusion needs. Engagement with regulators supports compliance, sector stability, and responsible business conduct. Strong engagement with our partners strengthens operational continuity, innovation, and service reliability.

Through constructive dialogue, the Company is able to align stakeholder expectations with practical business responses, creating value for both HNBF and its wider stakeholder ecosystem.

### Ethical governance

Ethical governance provides the foundation for all stakeholder engagement. HNBF's interactions are guided by fairness, accountability, compliance, and responsible conduct. The Company's engagement with regulators is supported by a Board-approved Compliance Policy and a BIRMC-approved annual risk-based compliance plan, which help embed compliance into day-to-day business activities and stakeholder relationships.

This governance framework ensures that employees are expected to act with high standards when engaging with customers, suppliers, shareholders, regulators, and other stakeholders. It also supports the Company's broader commitment to transparency, trust, and responsible value creation.

# Value creation through engagement

Stakeholder engagement creates value for HNBF by helping the Company make better decisions, identify material issues, manage risks, and respond to the changing environment in which it operates. Rather than being a separate activity, engagement is part of how HNBF understands its operating context and shapes its strategic direction.

## Strategy formulation

Stakeholder feedback plays an important role in shaping HNBF's strategy. Customers provide insight into service expectations, product needs, affordability, convenience, and accessibility. Employees provide operational insight and support the execution of strategic priorities. Regulators help shape compliance, governance, risk management, and responsible business practices. Our business partners support continuity, efficiency, and innovation, while shareholders reinforce the importance of financial resilience and long-term value creation.

By listening to these perspectives, HNBF is able to align its strategic priorities with stakeholder expectations. This was particularly relevant during FY 2025/26 as the Company focused on disciplined growth, portfolio quality, funding stability, digital enablement, customer experience, and operational resilience.

## Identifying material matters

Stakeholder engagement also helps HNBF identify the issues that matter most to both the Company and its stakeholders. Through customer feedback, employee engagement, community interaction, supplier evaluation, investor communication, and regulatory dialogue, the Company is able to understand emerging expectations and prioritise the areas that have the greatest impact on long-term value creation.

During the year, stakeholder insights continued to support focus areas such as responsible lending, customer protection, financial inclusion, cybersecurity, data privacy, regulatory compliance, operational resilience, supplier governance, community development, and sustainability reporting readiness. These matters influence both business performance and stakeholder confidence.

## Risk mitigation

Engagement helps HNBF identify risks before they become more significant. Customer interactions can highlight service gaps, affordability pressures, complaint trends, or product-related concerns. Business partner evaluation helps identify operational, financial, ethical, or continuity risks. Employee engagement can reveal capability gaps, morale concerns, or execution challenges. Regulatory engagement helps the Company remain aligned with evolving requirements.

The Compliance Department plays an important role in managing regulatory risk under the direction of the Head of Compliance, with regular reporting to Senior Management, the Board Integrated Risk Management Committee, and the Board. This structure ensures that regulatory matters are given appropriate visibility at the highest levels of decision-making.

## Navigating the operational context

HNBF operates in an environment shaped by economic pressures, digital adoption, regulatory change, competition, and evolving stakeholder expectations. Stakeholder engagement helps the Company remain aware of these changes and respond with greater agility.

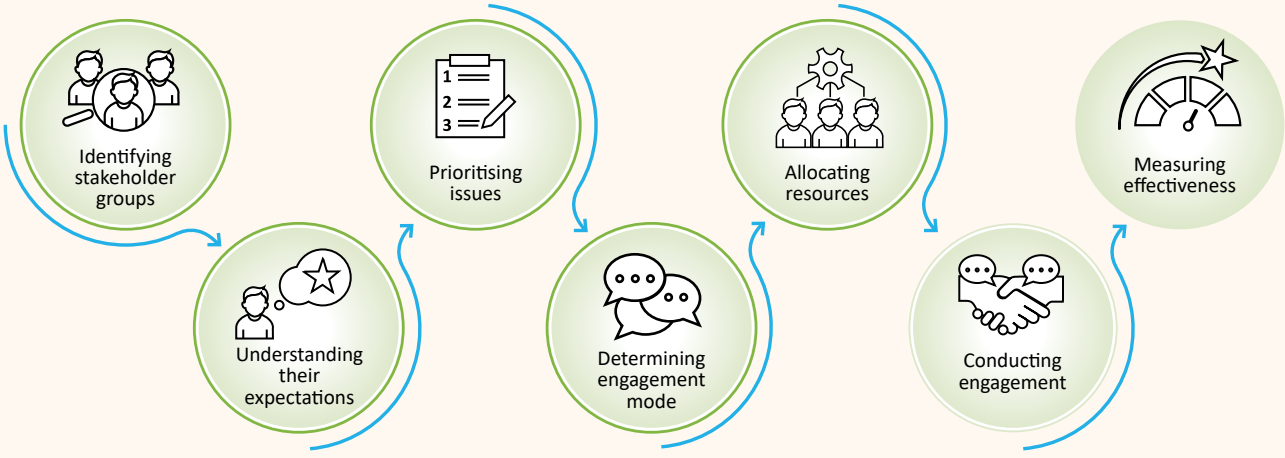
## Sustainable value creation

HNBF's engagement approach ultimately supports sustainable value creation by strengthening the quality of relationships across its stakeholder ecosystem. Through these relationships, HNBF creates value that extends beyond financial performance. It strengthens trust, improves resilience, and supports the Company's role as a responsible financial institution.

| Engagement outcome | Value created |
|---|---|
| Strategy formulation | Helps align business priorities with stakeholder expectations, customer needs, regulatory requirements, and market realities. |
| Identifying material matters | Supports the prioritisation of issues that affect performance, reputation, governance, sustainability, and stakeholder trust. |
| Risk mitigation | Enables early identification of customer, supplier, regulatory, operational, reputational, and ESG-related risks. |
| Navigating the operational context | Improves the Company's ability to respond to market changes, customer expectations, digital adoption, and regulatory developments. |
| Sustainable value creation | Strengthens long-term relationships, responsible conduct, financial inclusion, transparency, and shared value. |

# Stakeholder Engagement

## Stakeholder Engagement Process




## Stakeholder identification process

HNBF follows a structured approach to identifying stakeholders, ensuring that engagement is focused on the groups most relevant to the Company's operations, strategy, reputation, and long-term value creation. This process helps the Company understand who is affected by its activities, who can influence its outcomes, and how engagement should be prioritised.

## Power/interest matrix



## Stakeholder landscape

### Shareholders



Fostering transparent communication and consistently delivering stakeholder value.

### Customers



Delivering innovative financial solutions paired with exceptional customer service.

### Community and Environment



Demonstrating a strong commitment to social responsibility and environmental sustainability.

### Regulatory Bodies



Engaging in collaborative efforts to ensure regulatory compliance and support policy development.

### Central Bank of Sri Lanka (CBSL)



Adhering to monetary policies and aligning with national financial guidelines.

### Colombo Stock Exchange (CSE)



Upholding the highest standards of corporate governance, transparency, and disclosure.

### Business Partners



Cultivating sustainable partnerships that drive mutual growth and long-term impact.



### Board of Directors

Provide strategic leadership and governance oversight.



### Corporate Management

Drive operational excellence and execute strategic priorities.



### Employees

Drive the value creation process across the organisation.

**Internal stakeholders**

# Stakeholder Engagement

| Stakeholder | Engagement channel | Frequency of engagement | Relevant SDGs | Risks | Key concerns raised | Our response | Future focus |
|---|---|---|---|---|---|---|---|
| **Shareholders** | Digital Platforms | Continuous | 8, 9, 12, 13 | • Equity risk | • Sustainability of business operations<br>• Sound risk management methodologies<br>• Ensuring that proper governance mechanisms are upheld<br>• Stable financial performance<br>• Timely communication of price sensitive information<br>• Upholding principles of democracy at AGM & shareholder rights<br>• Providing true and fair information in a transparent manner<br>• Improved market presence<br>• Investor confidence<br>• Sustainability and climate related developments<br>• Digital Road Map of the Company<br>• Business expansion plan and key strategies<br>• Non-performing credit facilities and impairment changes | • HNBF complies with all regulatory requirements and ensures the highest possible ROI for investors<br>• HNBF undertakes continuous risk assessment exercises to identify risks faced by the Company, and takes the necessary actions to address them<br>• HNBF ensures that all corporate governance requirements are adhered to<br>• Continuous monitoring of capital and liquidity requirements to ensure viability and sustainability of the operations<br>• Timely reporting of performance and price sensitive information<br>• Aligning strategy to market conditions<br>• Accelerating market development activities<br>• Offering incremental growth in shareholder returns<br>• Digitalisation of customer journey<br>• Financial planning based on expert advice<br>• Board approved dividend policy | • Enhancing shareholder value through sustainable growth<br>• Strengthening digital investor communication<br>• Improving market presence through strategic expansion<br>• Deepening ESG-related disclosures |
| | Annual Reports | Annual | | | | | |
| | Annual General Meetings | Annual | | | | | |
| | Interim Financial Statements | Quarterly | | | | | |
| | Company website | Continuous | | | | | |
| | Press and Media releases | As and when necessary | | | | | |
| | Audited accounts | Annual | | | | | |
| | Announcement to CSE | As required | | | | | |
| | Feedback and Surveys | As required | | | | | |
| | Social Media reach | Continuous | | | | | |
| **Business partners** | Digital platforms | Continuous | 8, 9, 17 | • Operational risk | • Support for local, small time suppliers<br>• Payments made on time<br>• Opportunity to grow fair terms of trade<br>• Constructive feedback to improve<br>• Transparency maintaining healthy relationships<br>• Fostering strategic collaborations to introduce and integrate innovative technologies within the financial services sector | • HNBF primarily engages with local business partners to support local entrepreneurs and industries<br>• HNBF ensures that ethical procurement practices are followed within the Company<br>• Communicating the Company's policies and procedures<br>• Continuous engagement<br>• Ensuring timely and accurate disbursement of payments upon successful delivery of goods or services | • Building long-term ethical supplier relationships<br>• Expanding collaborations in fintech and sustainability<br>• Supporting local SMEs and micro-entrepreneurs |
| | Regular meetings | Ad hoc | | | | | |
| | Telephone calls, letters, emails | Continuous | | | | | |
| | Onsite visits | As required | | | | | |
| | Dedicated Relationship Managers | As required | | | | | |

| Stakeholder | Engagement channel | Frequency of engagement | Relevant SDGs | Risks | Key concerns raised | Our response | Future focus |
|---|---|---|---|---|---|---|---|
| **Customers** | Call centre, customer visits | Continuous | 1 NO POVERTY<br>5 GENDER EQUALITY<br>8 DECENT WORK AND ECONOMIC GROWTH<br>10 REDUCED INEQUALITIES | • Reputation Risk | • Details on loans, payments, interest rates, new products<br>• Access to Company information<br>• Fair and equitable treatment for all customers<br>• Products that meet current and latest needs<br>• No discrimination on any grounds<br>• Assuring satisfaction with quality of products and services<br>• Improving financial literacy<br>• Flexibility in repayment of loans due to economic stress<br>• Sound financial advice<br>• Customer protection<br>• Data privacy<br>• Grievances handling<br>• Swift service<br>• Operationalising of CBSL directives<br>• Financial support directed towards women | • Customer-centric and well developed products and services<br>• Maintain continuous service to improve customer relationships<br>• Conduct surveys to obtain customer feedback to improve Company's strategy to improve its products and services<br>• Respect customers, show compassion, while being professional<br>• Financial inclusion of all, especially those who are marginalised providing financial literacy and required financial advice as needed<br>• Process automation and digitalisation<br>• Adhering to rules and regulations<br>• Investing in information security<br>• Improvements to service delivery channels<br>• Providing financial relief to individuals and businesses through the restructuring and rescheduling of facilities to support them during periods of economic hardship | • Enhancing financial inclusion and literacy<br>• Digital transformation of customer experience<br>• Offering tailored, flexible financial solutions<br>• Supporting vulnerable segments during economic stress |
| | Company website, social media | Continuous | | | | | |
| | Press, Radio, TV, Public Relations articles | Continuous | | | | | |
| | Product development | Continuous | | | | | |
| | Anti-discrimination policy for all | Continuous | | | | | |
| | A transparent channel to receive complaints | As Required | | | | | |
| | Customer workshops | Continuous | | | | | |
| | Branch network | Continuous | | | | | |
| | Mobile App | Continuous | | | | | |
| | Emails | Continuous | | | | | |



# Stakeholder Engagement

| Stakeholder | Engagement channel | Frequency of engagement | Relevant SDGs | Risks | Key concerns raised | Our response | Future focus |
|---|---|---|---|---|---|---|---|
| **Regulators** | Audits and other reviews by CBSL and other regulatory bodies | Annual | 8 DECENT WORK AND ECONOMIC GROWTH<br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS | • Regulatory risk | • Compliance with regulatory requirements<br>• Responsible and sustainable business practices<br>• Timely statutory reporting and responding<br>• Stability of the financial sector<br>• Business transparency<br>• Ethical business operations<br>• Migration to cashless payment platforms<br>• Supporting economic recovery and growth<br>• Partnership with sustainable initiatives of government | • HNBF ensures that internal controls are in place, and undertakes regular reviews to ensure compliance at all levels of the Organisation<br>• Immediate responses to queries raised by regulators<br>• Effective implementation of directions Issued<br>• Aligning strategy to the sustainable Development<br>• Ensuring timely tax payments<br>• Ensuring appropriate due diligence to maintain 100% compliance<br>• Aligning internal strategies to support growth and economic revival<br>• Establishing and maintaining a robust process for the accurate collection and timely remittance of taxes on behalf of the government<br>• Compliance with the provision under section 9 of CSE listing rules on corporate governance issued in 2024<br>• Compliance with the Banking Act<br>• Compliance with the CA Sri Lanka guidelines<br>• Compliance with the Personal data protection Act | • Proactively aligning with emerging regulations<br>• Deepening partnerships with regulators for sector stability<br>• Supporting national economic recovery and resilience |
| | Report submissions | As and when necessary | | | | | |
| | Discussions and meetings by Senior Management | As and when necessary | | | | | |
| | Directives and circulars | Continuous | | | | | |
| | Press and media releases | As and when necessary | | | | | |
| | Participation in training programmes | As required | | | | | |
| | Onsite and Offsite examinations | As required | | | | | |
| | Meetings and consultations | As required | | | | | |
| | Correspondence and Inquiry Responses | As and when necessary | | | | | |
| | Public Disclosures | As and when necessary | | | | | |
| | Regulatory Portals and Reporting Platforms | As and when necessary | | | | | |



| Stakeholder | Engagement channel | Frequency of engagement | Relevant SDGs | Risks | Key concerns raised | Our response | Future focus |
|---|---|---|---|---|---|---|---|
| **Societies/ Community and Environment** | Social media | Continuous |  | • Reputation risk | • Obtaining loans to develop their businesses<br>• Support in carrying out day-to-day activities<br>• Proactively ensuring that the Company does not cause any harm to the environment<br>• Responsible financing<br>• Employment opportunities<br>• Ethics and Business Conduct<br>• Financial inclusion<br>• Community engagement<br>• Microfinance and SME | • Empowering women and improving their livelihoods through microfinance<br>• Working in the best interests of the society<br>• Improving the well-being of community members, who are also customers, through *Mehewara* Fund<br>• Not providing loans for projects which harm the environment<br>• Implementing initiatives to reduce energy, water and paper consumption<br>• Continuous engagement for closer relationships with stakeholders<br>• Employment generation activities<br>• Making the societies part of the supply chain whenever possible<br>• Financial literacy programmes for prospective micro customers<br>• Continuing tree planting projects<br>• Access through all branches<br>• Value-add services for members | • Scaling microfinance and SME initiatives<br>• Environmental stewardship through conservation and resource management<br>• Inclusive community development<br>• Promoting employment generation and financial empowerment |
| | Micro finance for female customers | Continuous | | | | | |
| | Community projects | Continuous | | | | | |
| | Focused discussion on the environment | Continuous | | | | | |
| | Information published on Company website | Continuous | | | | | |
| | Press releases, Conferences, media briefing | Continuous | | | | | |
| | Public events | Continuous | | | | | |
| | Information briefing and communication | As required | | | | | |
| | Grievance hotline/email | Continuous | | | | | |
| | In-person or hybrid engagement | As and when necessary | | | | | |
| **Employees** | Emails | Continuous |  | • Human resource risk | • Career progression<br>• Work life balance<br>• Fair remuneration<br>• Health and safety<br>• Upskilling<br>• Inclusivity and well-being | • Upskilling programmes<br>• Fair remuneration and performance based rewards<br>• Health and safety assurance and mitigation methods<br>• Wellness initiatives<br>• Appraisals and recognition | • Workforce digital upskilling and reskilling<br>• Strengthening employee well-being and hybrid work policies<br>• Enhancing leadership development and performance culture |
| | Internal communication | Continuous | | | | | |
| | Training sessions | Continuous | | | | | |
| | Open door policy | Continuous | | | | | |
| | Surveys | As and when necessary | | | | | |

# Materiality

Against the backdrop of a gradually recovering macroeconomic environment in 2025/26, HNB Finance PLC (HNBF) continued to strengthen its strategic focus on sustainable growth, operational resilience, digital transformation, and responsible value creation. As the operating environment continued to evolve amid changing economic conditions, technological advancement, regulatory developments, and shifting stakeholder expectations, the Company remained committed to proactively identifying and addressing the matters most significant to its long-term success.

Our materiality process continues to serve as a critical component of strategic planning and integrated reporting, enabling the Company to align business priorities with stakeholder expectations and the broader external environment. Through this structured approach, HNBF is better positioned to identify emerging risks and opportunities, strengthen organisational resilience, and support sustainable value creation over the short, medium, and long term.

## Guiding framework

The materiality determination process begins with an assessment of the macro-environmental forces that influence the financial services sector and the Company's operating context. HNBF continues to utilise the Political, Economic, Social, Technological, Environmental, and Legal (PESTEL) framework as a guiding tool to evaluate the external environment and identify the key trends, risks, and opportunities shaping the business landscape.

This approach enables the Company to maintain a comprehensive understanding of the evolving operating environment while ensuring that strategic priorities remain aligned with emerging market dynamics, stakeholder expectations, and regulatory developments.

## Materiality determination process

HNBF's materiality determination process combines internal assessments with stakeholder engagement and continuous environmental scanning. Material matters are evaluated based on their potential impact on the Company's ability to create value, their likelihood of occurrence, and the level of importance assigned to them by stakeholders.

The Company adopts a dual-lens approach in assessing material matters, considering both their significance to HNBF and their importance to stakeholders. This process supports the development of the Materiality Matrix and guides strategic responses, risk management priorities, and reporting disclosures across the organisation.

Each material matter is further categorised according to its level of impact: high, moderate, or low, and assessed based on whether it presents a risk, an opportunity, or a combination of both. This structured methodology enables HNBF to prioritise key focus areas while ensuring that resources, strategies, and disclosures remain aligned with long-term sustainability and stakeholder value creation objectives.

| Process step | Details | Information sources | Application | Classification | Application of insights |
|---|---|---|---|---|---|
| **Identification of Topic** | Internal documents (strategic plans, risk registers, performance reports)<br>External developments (regulatory changes, global ESG trends, PESTEL analysis) | Risk registers, compliance logs, Central Bank directives, GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) frameworks | Consolidated list of potential material topics, ESG risk watchlist | Emerging Topic/ Material Topic | Informs Strategic Planning<br>Shapes our ESG and sustainability disclosures<br>Guides stakeholder communication<br>Supports risk management and governance processes |

| Process step | Details | Information sources | Application | Classification | Application of insights |
|---|---|---|---|---|---|
| **Stakeholder Engagement** | Direct stakeholder inputs:<br>– Employees: Internal surveys, performance reviews, training feedback<br>– Customers: Surveys, platform analytics, feedback– Community: Forums, CSR impact assessments<br>– Investors: Meetings, ESG ratings<br>– Regulators: Dialogue, reviews<br>– Suppliers: Procurement evaluations | Survey results, stakeholder meeting minutes, CRM data, social media sentiment analysis | Enhanced communication, action plans for high-interest topics, issue escalation process | Stakeholder Interest | |
| **Risk and Opportunity Classification** | Opportunities to be seized (e.g., digitalisation, green financing, customer engagement) Risks to be mitigated (e.g., data privacy, climate change, geopolitical instability) Dual nature issues (e.g., social media, regulatory changes) | Internal audit reports, strategic project memos, and industry benchmarking studies | Refined sustainability roadmap, Annual Report disclosures, KPIs aligned to opportunity areas | Risk and Opportunity | |
| **Significance Assessment** | Relevance and significance to stakeholders, Impact on HNBF's strategic and operational performance, Likelihood of occurrence, and potential consequences | Impact assessment templates, SWOT analysis, stakeholder salience mapping, scoring matrix | Refined sustainability roadmap, Annual Report disclosures, KPIs aligned to opportunity areas | Strategic Priority/ Operational Risk | |

## Material matters

Our sustainable value creation is rooted in understanding the key economic, environmental, social, technological, and governance factors influencing our operations. As HNB Finance PLC (HNBF) transforms, managing material matters is vital for resilience, responsible growth, and long-term stakeholder value.

The materiality assessment process identifies and prioritises the issues most relevant to stakeholders and impactful to the business. These material matters guide strategy, risk management, operations, and reporting, ensuring HNBF aligns with stakeholder expectations and the changing business landscape.

As such, we evaluate the risks to be managed, opportunities to be leveraged, and the strategic priorities that guide our responses to an evolving operating environment. This integrated approach enables HNBF to balance financial performance with long-term resilience, responsible governance, social impact, and environmental stewardship.

| | |
|---|---|
| Economic | Evolving economic conditions that influence our operating environment, business performance, and long-term growth aspirations. |
| Environmental | Our responsibility towards the environment and the integration of environmental stewardship into our business operations and long-term strategic approach. |
| Social | Our impact on wealth creation, financial inclusion, and the long-term economic and social well-being of the communities in which we operate. |
| Governance | Strong governance and effective risk management practices that support organisational stability, accountability, and sustainable long-term outcomes. |

Our materiality assessment is reviewed annually to ensure that it remains relevant and aligned with the Company's evolving strategic direction, operating context, and stakeholder expectations.

## Materiality matrix

This section presents the material topics identified as most relevant to HNB Finance PLC (HNBF), categorised across Political, Economic, Social, Technological, Environmental, and Legal/Regulatory themes. These matters reflect the key risks, opportunities, and external factors that influence the Company's strategy, operations, and long-term value creation.

The accompanying Materiality Matrix illustrates the relative importance of each topic to both stakeholders and the organisation, supporting strategic decision-making, risk management, and reporting disclosures.

### Material topics overview

| Material Topic | Stakeholder Group | Thematic Category | Classification (Risk/Opportunity) | Importance (High/Moderate/Low) |
|---|---|---|---|---|
| Employee productivity |  Employees | Economic | Risk | High |
| Staff recruitment and retention | | Social | Risk | Moderate |
| Technology driving change in job skills | | Technological | Risk | Moderate |
| Human and labour rights | | Legal/Regulatory | Risk | High |
| Succession planning | | Economic | Opportunity | Moderate |
| Employee satisfaction and engagement | | Social | Opportunity | High |
| Operational efficiency | | Technological | Risk | High |
| Training and development | | Social | Opportunity | High |
| New working culture | | Technological | Risk | Moderate |
| Equal opportunity and anti-discrimination | | Social | Opportunity | High |
| Employee health and safety | | Social | Risk | Moderate |
| Government policy changes on financial products |  Customers | Political | Risk | High |
| Brand reputation | | Economic | Opportunity | High |
| Changing customer expectations | | Social | Opportunity | High |
| Technological developments incl. digitalisation and automation | | Technological | Opportunity | High |
| High taxes on vehicle imports | | Economic | Risk | Moderate |
| Customer satisfaction | | Social | Opportunity | High |
| Data security and privacy | | Technological | Risk | High |
| Customer engagement | | Social | Opportunity | High |
| Growing influence in social media | | Technological | Opportunity | Moderate |
| Product diversification | | Economic | Opportunity | High |

| Material Topic | Stakeholder Group | Thematic Category | Classification (Risk/Opportunity) | Importance (High/Moderate/Low) |
|---|---|---|---|---|
| Geopolitical environment |  Community | Political | Risk | High |
| Declining worker remittances | | Economic | Risk | Moderate |
| Community investment and engagement | | Social | Opportunity | Moderate |
| Reduction of environmental impact | | Environmental | Opportunity | High |
| Compliance with regulators | | Legal/Regulatory | Risk | Moderate |
| Declining global competitiveness of Sri Lanka | | Economic | Risk | Moderate |
| Need to commit to UN SDGs | | Social | Risk | Moderate |
| Climate change | | Environmental | Risk | Moderate |
| Ongoing wars in Europe and Middle East | | Political | Risk | Moderate |
| Supply chain sustainability | | Social | Opportunity | High |
| Green financing | | Environmental | Opportunity | High |
| Financial inclusion | | Economic | Opportunity | High |
| Being socially responsible | | Social | Opportunity | High |
| Political instability |  Investors | Political | Risk | Moderate |
| Economic slowdown | | Economic | Risk | High |
| Demand for increased transparency | | Social | Opportunity | Moderate |
| Demand for non-financial information | | Social | Risk | Moderate |
| Policy inconsistency | | Political | Risk | High |
| Unorthodox competition and financial disintermediation | | Economic | Opportunity | Moderate |
| New regulations and directives | | Legal/Regulatory | Risk | High |
| LKR depreciation | | Economic | Opportunity | Moderate |
| BASEL compliance | | Legal/Regulatory | Risk | Moderate |
| High CAPEX requirements | | Economic | Opportunity | Moderate |
| Asset growth and asset quality | | Economic | Opportunity | Moderate |
| Sustainable procurement |  Business Partners | Social | Opportunity | Moderate |
| Supplier relationship management | | Social | Opportunity | Moderate |
| Interest rate changes |  Regulators | Economic | Risk | High |
| Financial crime prevention | | Legal/Regulatory | Risk | High |
| Compliance guidelines | | Legal/Regulatory | Risk | Moderate |
| Global best practices | | Social | Opportunity | Moderate |

As part of our annual review cycle, HNBF remains committed to continuously strengthening stakeholder engagement and environmental scanning processes. In an operating environment shaped by ongoing change and uncertainty, our structured and adaptive materiality process continues to support long-term resilience, informed decision-making, and stakeholder confidence.

# Strategy

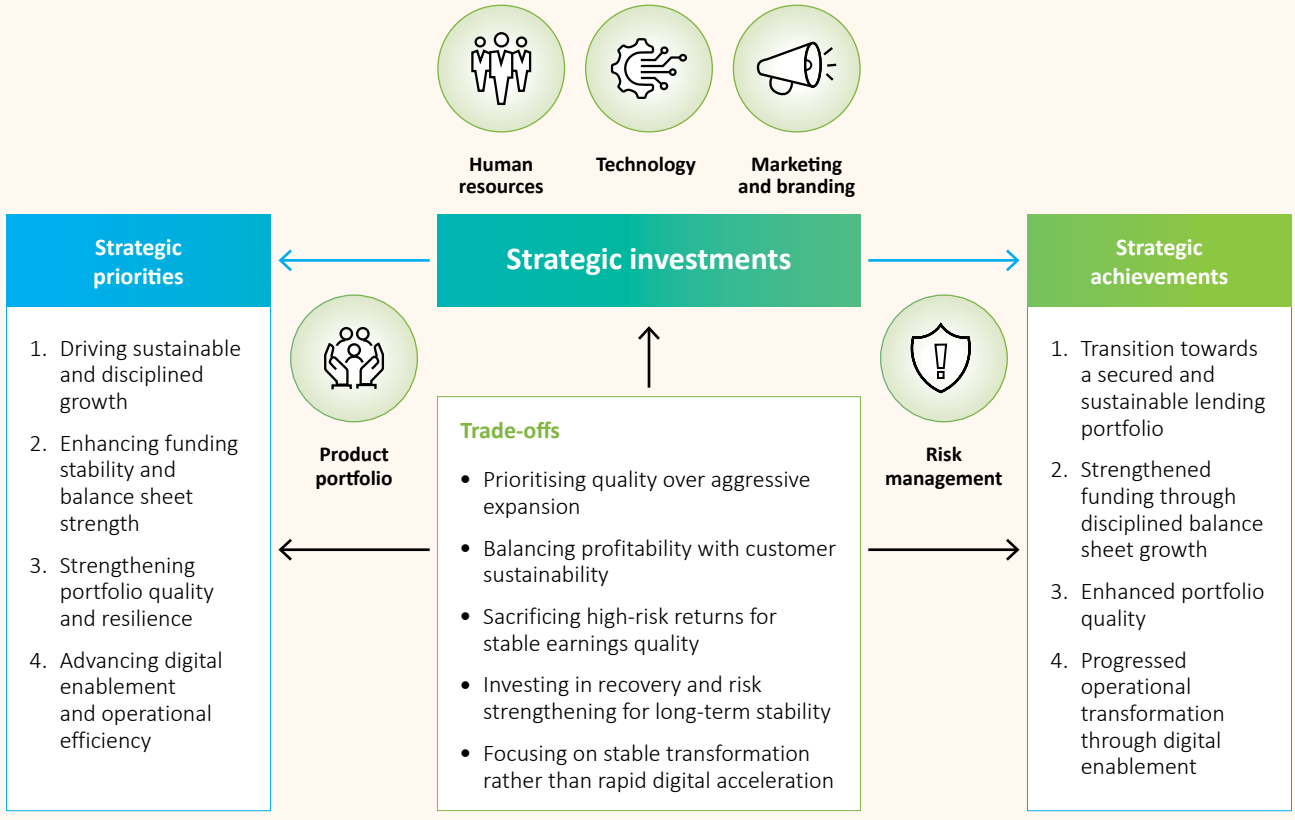
## Strategic approach

HNB Finance PLC's strategy during FY 2025/26 continued to be shaped by its transformation towards a resilient, risk-calibrated, and sustainable business model. Building on the foundations established in the previous year, the Company maintained a consistent strategic direction, with emphasis on strengthening portfolio quality, enhancing operational discipline, improving funding stability, and positioning the business for long-term value creation.

During the year, HNBF adopted a collaborative and execution-focused approach, strengthening alignment across business, risk, operations, recovery, finance, technology, and human resources functions. This enabled the Company to respond more effectively to market developments while reinforcing a disciplined operating model. Rather than pursuing rapid expansion, HNBF prioritised quality-driven growth, stability, risk alignment, and sustainable returns. This reflects a deliberate shift towards a more balanced model centred on secured lending, disciplined risk management, operational efficiency, and customer sustainability.

The Company's strategy is grounded in the objective of delivering resilient, risk-adjusted returns while reinforcing its commitment to inclusive and sustainable growth. During FY 2025/26, HNBF focused on safeguarding core fundamentals such as asset quality, liquidity, capital strength, and stakeholder confidence, while driving growth in priority segments through digital enablement, customer-centric solutions, talent development, and progressive ESG integration. This approach is guided by disciplined resource allocation and strategic trade-offs that prioritise long-term value creation over short-term gains, as illustrated below.

### Strategic choices driving sustainable value creation




## Vision led strategic prioritisation

HNBF's strategic priorities for the financial year are determined in alignment with the Company's Vision and Mission, ensuring that short-term actions remain firmly connected to long-term institutional stability and stakeholder value creation. In shaping its FY 2025/26 priorities, the Company continued to balance growth ambitions with financial resilience, responsible service delivery, and sustainable performance, reflecting its commitment to providing innovative, technology-driven financial solutions with a human touch while creating value responsibly and sustainably for all stakeholders.

## Responding to macroeconomic change

HNBF's strategy continued to evolve in response to changes in the macroeconomic environment. As economic conditions gradually stabilised, the Company selectively expanded lending in priority segments while maintaining prudent credit discipline and close monitoring of portfolio quality. Interest rate movements, customer affordability pressures, funding costs, and liquidity considerations were actively factored into pricing, portfolio growth, and asset-liability management decisions.

At the same time, regulatory developments and stakeholder expectations continued to influence the Company's strategic priorities, particularly in relation to capital adequacy, liquidity resilience, governance, responsible lending, digital transformation, and ESG readiness. In this context, HNBF's strategy remained focused on building a stable and future-ready financial institution capable of navigating external volatility while creating sustainable value for customers, shareholders, employees, and the broader economy.

## Strategic context – a SWOT snapshot

**S – STRENGTHS**

- Being a subsidiary of HNB – one of the largest, systemically important private sector banks in Sri Lanka
- Steady and positive cash flow, and robust asset base
- Being listed on the Colombo Stock Exchange (CSE)
- High level of brand recognition and strong customer loyalty within the community
- Diversified and expanding product portfolio, including leasing, gold loans, and innovative financial products
- Strong corporate governance practices and commitment to regulatory compliance
- Focus on sustainability and green initiatives
- Fitch Rating of A(lka) Outlook Stable
- Improved profitability and operation efficiency through portfolio transformation

**W – WEAKNESSES**

- Relatively fewer branches in the Colombo District and the Western Province
- Challenges in retaining talented, experienced employees
- Limited penetration among younger audiences such as Gen X and Millennials
- Relatively low IT literacy among certain customer segments
- Challenges in swiftly adapting to rapid technological changes

**O – OPPORTUNITIES**

- Expansion potential in electric vehicle and green financing segments
- Increasing digital capability through new Core Banking Solution implementation
- Growing demand for digital financial services and mobile-based lending
- Potential to expand partnerships with fintechs and digital platforms
- Expansion through cross-selling with existing customers
- Ability to scale operations as the company approaches a Systemically Important Finance Company status

**T – THREATS**

- Increasing competition from banks, NBFI sector and digital lending platforms
- Regulatory tightening in the NBFI sector
- Cybersecurity risks with increasing digitalization of financial services
- Rapid technological changes requiring continuous investment in IT infrastructure
- Rising funding costs and liquidity pressures during market volatility

## Strategic priorities

During FY 2025/26, HNBF's strategic priorities were shaped by the Company's commitment to long-term stability, responsible growth, and sustainable value creation. In line with its Vision and Mission, the Company focused on strengthening the fundamentals required to build a more resilient, risk-calibrated, digitally enabled, and customer-centric financial institution. Accordingly, the four strategic priorities for the year centred on disciplined growth, funding and balance sheet strength, portfolio quality, and digital and operational transformation, ensuring that business expansion remained aligned with risk appetite, customer affordability, regulatory expectations, and long-term stakeholder confidence.

| Priority | Achievement | Output | Impact |
|---|---|---|---|
| **Driving Sustainable and Disciplined Growth**<br>Driving sustainable and disciplined growth remained a key strategic priority for HNB Finance during FY 2025/26, reflecting the Company's continued focus on building a more resilient, secured, and risk-calibrated business model. In a recovering yet still sensitive operating environment, HNBF adopted a measured growth approach that prioritised long-term stability over short term expansion.<br><br>During the year, growth was carefully managed to ensure alignment with the Company's risk appetite, funding capacity, capital position, and long-term resilience objectives. Rather than pursuing volume led expansion, HNBF focused on selective growth in priority segments, particularly secured and asset-backed lending. This included continued emphasis on leasing and gold loans, where stronger collateral coverage and clearer repayment structures supported a more stable and predictable lending portfolio.<br><br>The Company's disciplined growth approach was also guided by customer affordability and responsible lending principles. New business was pursued where credit fundamentals were sound, repayment capacity was sustainable, and customer relationships could be developed over the long term. This helped HNBF balance business expansion with portfolio health, reducing the risk of future credit deterioration while supporting customers with financial solutions suited to their needs.<br><br>By prioritising quality over volume, HNBF reinforced its commitment to sustainable value creation. This approach enables the Company to expand with greater confidence, preserve financial stability, and build a stronger foundation for long-term growth. | **Transition towards a secured and sustainable lending portfolio**<br>HNBF continued to strengthen its strategic focus on secured and lower-risk lending segments, particularly leasing and gold loans. This supported disciplined growth while improving collateral coverage, portfolio stability, and earnings predictability. The transition was closely aligned with the Company's risk appetite and long-term resilience objectives. | • Portfolio grew by 70%<br>• Secured lending portfolio exceeded 90% of the portfolio | **Capitals impacted:**<br>Financial capital<br>Human capital<br>Social capital<br>Intellectual capital<br>Manufactured capital<br>**SDGs impacted:** |
| **Enhancing funding stability and balance sheet strength**<br>Enhancing funding stability and balance sheet strength was a key strategic priority for HNB Finance during FY 2025/26, supporting the Company's broader objective of building a resilient, risk calibrated, and sustainable financial institution. In a market environment where liquidity, funding costs, depositor confidence, and capital adequacy remain critical to long-term stability, HNBF continued to manage its balance sheet with discipline and forward-looking oversight.<br><br>During the year, the Company placed strong emphasis on strengthening deposit mobilisation, particularly through retail and branch-led deposit mobilisation focused on long-term deposits. This approach supported a more stable funding base by deepening relationships with retail depositors, improving funding maturity profiles, and reducing reliance on more volatile funding sources. Branch-level engagement played an important role in building depositor trust, widening access to savings products, and reinforcing the Company's reputation as a reliable financial partner.<br><br>HNBF also continued to actively manage funding costs and liquidity resilience through disciplined asset-liability management. Pricing decisions, maturity profiles, liquidity buffers, and funding mix were reviewed in line with market conditions, customer behaviour, and regulatory expectations. This enabled the Company to balance cost efficiency with depositor confidence, while ensuring that funding remained available to support sustainable lending growth. | **Strengthened funding**<br>The Company enhanced its focus on funding stability through deposit mobilisation, liquidity monitoring, and disciplined balance sheet management. Growth initiatives were aligned with liquidity and capital considerations to support financial resilience and sustainable expansion. | • Deposit base increased by 63% to 69 Bn. | **Capitals impacted:**<br>Financial capital<br>Social capital<br>Intellectual capital<br>**SDGs impacted:** |

| Priority | Achievement | Output | Impact |
|---|---|---|---|
| Capital optimisation also remained central to strategic execution. Growth initiatives were aligned with regulatory capital requirements, liquidity needs, and long term balance sheet strength, ensuring that expansion was pursued within a prudent financial framework. This was particularly important as the Company continued to prioritise secured and lower-risk lending segments, enabling better allocation of capital towards portfolios that support stable earnings and improved risk-adjusted returns. | | | |
| **Strengthening portfolio quality and resilience**<br>Strengthening portfolio quality and resilience remained a central strategic priority for HNB Finance during FY 2025/26, reflecting the Company's continued transition towards a more stable, secured, and risk-calibrated business model. In an operating environment shaped by evolving customer affordability, economic recovery, and heightened risk sensitivity, HNBF placed strong emphasis on improving the quality of its lending book rather than pursuing growth at the expense of long-term stability.<br><br>During the year, the Company continued to reposition its portfolio towards secured and lower-risk lending segments, particularly leasing and gold loans. This strategic shift enabled HNBF to reduce exposure to higher-risk unsecured lending, improve collateral coverage, and enhance the predictability of earnings. By aligning portfolio growth with credit fundamentals and customer repayment capacity, the Company strengthened its ability to generate more sustainable risk-adjusted returns.<br><br>HNBF also reinforced credit discipline across the lending lifecycle. Underwriting standards were strengthened, early warning indicators were monitored more closely, and greater emphasis was placed on proactive portfolio reviews, collections, and recovery management. These measures enabled the Company to identify emerging risks earlier, respond more effectively to repayment stress, and contain potential deterioration in asset quality.<br><br>The value created through this priority extends beyond immediate credit performance. A more resilient portfolio supports stronger balance sheet stability, better capital utilisation, improved investor confidence, and greater capacity for sustainable future growth. For customers, it promotes responsible lending and reduces the risk of over-indebtedness. For shareholders, it supports earnings quality and lowers future impairment pressure.<br><br>By prioritising secured lending, disciplined credit evaluation, and active portfolio monitoring, HNBF continued to build a lending portfolio that is better aligned with its long-term transformation agenda. This approach reinforces the Company's commitment to sustainable growth, financial resilience, and responsible value creation. | **Enhanced portfolio quality**<br>HNBF intensified its focus on collections, recovery, and proactive portfolio monitoring to improve asset quality. Greater emphasis was placed on early identification of risk trends, disciplined credit oversight, and maintaining a stable portfolio composition aligned with the Company's transformation objectives. | • NPL reduced by 7% | **Capitals impacted:**<br>Financial capital<br>Social capital<br>Intellectual capital<br><br>**SDGs impacted:** |



# Strategy

| Priority | Achievement | Output | Impact |
|---|---|---|---|
| **Advancing digital enablement and operational efficiency**<br>Another key strategic priority for HNB Finance during the year was the advancement of digital enablement and operational efficiency, directly supporting the Company's transition towards a more resilient, scalable, and customer-centric business model. In a financial services environment where speed, accessibility, data quality, and control increasingly shape competitiveness, HNBF's digital agenda was designed not merely as a technology upgrade, but as a strategic enabler of sustainable value creation.<br><br>During the year, the Company continued to strengthen its digital and operational foundations through investments in digital platforms, process improvements, system integration, and automation. These initiatives enabled faster turnaround times, reduced manual intervention, improved monitoring, and stronger execution discipline across key business functions. By simplifying workflows and strengthening process visibility, HNBF improved operational responsiveness while creating a more consistent service experience for customers.<br><br>A key investment during the year was the new Core Banking Solution, which is expected to strengthen process integration, improve scalability, enhance operational control, and reduce operational risk. This forms an important foundation for future growth, enabling the Company to support higher business volumes, better data-driven decision making, and more efficient service delivery without compromising governance or stability.<br><br>HNBF also progressed strategic digital initiatives including mobile and internet banking enhancements, loan origination systems, and workflow automation. These initiatives create value by improving customer accessibility, reducing reliance on physical branch visits, supporting faster credit processing, improving data accuracy, and enhancing employee productivity. For customers, this means greater convenience and responsiveness. For the Company, it supports cost efficiency, risk discipline, scalability, and stronger portfolio management.<br><br>Recognising that transformation must be sustainable, HNBF adopted a phased and disciplined approach to digital implementation. This enabled the Company to manage execution risk, ensure operational readiness, and support user adoption across the organisation. Through this priority, HNBF is building a future ready operating model that combines the trust and reach of its physical network with the efficiency and scalability of digital platforms, thereby strengthening long-term value creation for customers, employees, shareholders, and other stakeholders. | **Operational transformation**<br>The Company continued to improve operational efficiency through digital initiatives, process optimisation, and system integration across business functions. These efforts supported better service delivery, increased responsiveness, and a stronger foundation for scalable execution. | • Launch of Internet & Online banking<br>• Workflow Automation<br>• Cost to income reduced by 12% | **Capitals impacted:**<br>Financial capital<br>Human capital<br>Social capital<br>Intellectual capital<br>Manufactured capital<br>Natural capital<br><br>**SDGs impacted:** |



# Strategic investments

Strategic investments during the year were directed towards capabilities that support long-term resilience, operational discipline, customer experience, and sustainable growth. These investments were aligned with the Company's strategic priorities and supported value creation across both financial and non-financial dimensions.

## Human capital

HNBF's investment in Human Capital during FY 2025/26 was aimed at strengthening the people capabilities required to execute its transformation agenda. The impact of these investments can be discussed in relation to the parties affected.

### Value creation within the Company

| Progress made | Initiative | Strategic priorities addressed |
|---|---|---|
| – Improved execution discipline and operational consistency<br>– Stronger asset quality management and recovery effectiveness<br>– Increased workforce capability to support transformation and stability objectives | HNBF's investment in human capital strengthened organizational capability, accountability, and employee engagement, enabling the successful execution of its strategic transformation agenda.<br><br>HNBF continued to invest in its people as a key enabler of strategy execution, particularly amid increasing competition for skilled talent. During FY2025/26, the Company strengthened employee engagement and retention through learning and development, leadership programmes, succession planning, wellbeing initiatives and performance-based recognition. These efforts supported motivation, capability building, and retention in critical areas such as credit, collections, risk management, digital adoption, and customer engagement.<br><br>Through these initiatives the Company enhanced expertise in critical functions while improving operational discipline, efficiency, asset quality management, and readiness to support a more secured and risk-calibrated business model. | • Driving Sustainable Growth<br>• Enhancing Funding Stability<br>• Strengthening Portfolio Quality<br>• Advancing Digital Enablement<br><br>**Stakeholders impacted**<br>Customers, Employees, Investors<br><br>**SDG alignment** |



# Strategy

## Technology

Technology was a critical investment area during FY 2025/26, enabling HNBF to strengthen operational efficiency, customer accessibility, data-driven decision-making, and digital resilience.

### Value creation within the Company

| Progress made | Initiative | Impact on priority |
|---|---|---|
| – Improved operational efficiency and turnaround times<br>– Enhanced customer experience and accessibility<br>– Better monitoring, reporting, and strategic responsiveness | Technology remains a key enabler of HNBF's strategic transformation, supporting operational efficiency, service reliability, data-driven decision-making, and scalable growth.<br><br>HNBF's investment in technology enhanced operational efficiency, customer accessibility, data availability, and organisational resilience, supporting the Company's strategic transformation agenda. Through improvements in digital onboarding, process automation, portfolio analytics, reporting capabilities, and cybersecurity, the Company strengthened system integration, accelerated turnaround times, enabled more informed data-driven decision-making, and improved service reliability.<br><br>These investments also reinforced technology resilience and operational continuity, providing a scalable and secure foundation for sustainable growth.. | • Driving Sustainable Growth<br>• Strengthening Portfolio Quality<br>• Advancing Digital Enablement<br><br>Stakeholders impacted<br>Customers, Employees, Investors, Regulators, Business Partners<br><br>SDG alignment<br> |

## Product portfolio

Product Portfolio was a key strategic investment area during FY 2025/26. By investing in products that balance customer affordability, market opportunity, portfolio resilience, and risk-adjusted returns, the Company strengthened its ability to generate sustainable revenue while reducing credit volatility.

### Value creation within the Company

| Progress made | Initiative | Impact on priority |
|---|---|---|
| – More resilient, stable, and diversified portfolio<br>– Sustainable revenue generation and reduced credit volatility<br>– Improved portfolio quality and long-term profitability | HNBF's investment in its product portfolio strengthened portfolio resilience, earnings stability, and sustainable revenue generation by expanding and refining secured lending solutions. Guided by customer affordability, market conditions, risk-adjusted returns, and portfolio quality considerations, the Company enhanced offerings across key segments such as land and housing finance solutions, leasing, and gold loans. These investments supported customer needs while reducing concentration and credit risk, improving long-term profitability, and reinforcing a more balanced, customer-centric, and sustainable growth model.<br><br>By developing customer-centric and flexible financial solutions, the Company strengthened both customer relationships and sustainable revenue generation.. | • Driving Sustainable Growth<br>• Enhancing Funding Stability<br>• Strengthening Portfolio Quality<br><br>Stakeholders impacted<br>Customers, Investors<br><br>SDG alignment<br> |

## Marketing and branding

Marketing and branding initiatives for FY 2025/26 were focused on strengthening HNBF's market presence, enhancing brand visibility, and supporting customer acquisition across priority business segments. Campaigns were guided by market trends, customer preferences, age profiles, and product characteristics to ensure more targeted engagement and maximise the value generated from marketing investments.

### Value creation within the Company

| Progress made | Initiative | Impact on priority |
|---|---|---|
| – Improved customer acquisition and retention<br>– Enhanced market presence and competitive positioning<br>– Strengthened brand credibility and long-term stakeholder confidence | HNBF's investment in marketing and branding strengthened brand visibility, market positioning, customer acquisition, and stakeholder confidence, supporting sustainable business growth. Through targeted campaigns informed by customer insights, market trends, and product characteristics, the Company expanded its reach, promoted responsible financial solutions, and enhanced engagement with key customer segments. Investments in consistent communication of service quality, financial strength, and customer-centric values further reinforced brand trust as it remains an important enabler of customer loyalty and deposit confidence.<br><br>These initiatives further contributed to improve customer acquisition, stronger retention, enhanced market presence, and long-term brand credibility in a competitive financial services market. | • Driving Sustainable growth<br>• Enhancing Funding Stability<br><br>Stakeholders impacted<br>Customers, Investors, Societies/ Community and Environment<br><br>SDG alignment<br> |

## Risk management

Risk management was a critical strategic investment area that strengthened the Company's ability to anticipate emerging risks, protect portfolio quality, safeguard capital and liquidity, and pursue sustainable growth within its defined risk appetite.

### Value creation within the Company

| Progress made | Initiative | Impact on priority |
|---|---|---|
| – Improved resilience against economic and portfolio stress<br>– Better protection of capital and liquidity position | HNBF's investment in risk management strengthened organisational resilience, financial stability, and sustainable growth by enhancing its ability to identify, assess, and respond to emerging risks in a timely manner. Through improvements in early warning systems, portfolio monitoring, stress testing, recovery frameworks, and governance oversight, the Company reinforced its integrated risk management approach while strengthening capital and liquidity protection, operational resilience, information security, and regulatory compliance. These investments enabled more proactive and risk-aligned decision-making, improved resilience to economic and portfolio stress, and supported long-term value creation within the Company's defined risk appetite. | • Driving Sustainable Growth<br>• Enhancing Funding Stability<br>• Strengthening Portfolio Quality<br>• Advancing Digital Enablement<br><br>Stakeholders impacted<br>Customers, Investors, Employees, Regulators<br><br>SDG alignment<br> |

## Strategic trade-offs

The Company made deliberate trade-offs during the year to protect long-term resilience and ensure that transformation was delivered in a controlled and sustainable manner.

### Quality and business expansion

As part of its transformation journey, HNBF moderated unsecured portfolio expansion to preserve asset quality and strengthen long-term portfolio resilience. By prioritising secured and lower-risk lending segments over rapid balance sheet expansion, the Company limited immediate volume growth opportunities in certain higher-yield segments; however, this disciplined approach enabled HNBF to strengthen portfolio quality, reduce future credit risk exposure, and support more sustainable long-term growth outcomes.

### Profitability and customer sustainability

Pricing decisions were carefully aligned with market conditions and customer affordability. While this created measured pressure on yields in certain segments, it supported customer retention, reduced repayment stress, and helped maintain stable portfolio performance during a sensitive economic recovery period.

### High-risk returns and stable earnings quality

The Company continued to shift towards secured lending products such as leasing and gold loans. While higher-risk lending segments may have offered stronger short-term yields, HNBF prioritised stable income streams, collateral-backed growth, and long-term earnings quality over volatile returns.

### Recovery and risk strengthening

HNBF intensified its focus on collections, recovery monitoring, and portfolio oversight. This required additional operational effort, resource allocation, and capability development, but supported the long-term objective of stabilising the portfolio and reducing future impairment pressure.

### Stable transformation and digital acceleration

Digital enablement and operational improvement initiatives were progressed through a phased and controlled approach. Rather than pursuing rapid implementation, the Company prioritised operational continuity, process stability, employee readiness, and customer experience. This reduced execution risk and supported more sustainable transformation outcomes.

### Our strategic trade-off matrix

| Trade-off | Near-term effect | Long-term strategic benefit |
|---|---|---|
| Quality over aggressive expansion | Moderate portfolio growth and selective lending expansion | Stronger asset quality and improved portfolio resilience |
| Profitability balanced with affordability | Measured yield pressure | Better customer retention and repayment stability |
| Stable earnings over high-risk returns | Lower exposure to high-yield segments | Improved earnings quality and reduced volatility |
| Investment in recovery and risk controls | Higher operational effort and cost | Stronger portfolio stability |
| Phased digital transformation | Gradual efficiency gains | Lower execution risk and sustainable scalability |



## Strategic priorities for the coming year

### Building a resilient and sustainable financial institution

HNBF's strategic direction for FY 2026/27 focuses on strengthening institutional stability, enhancing portfolio resilience, and driving disciplined execution across the organisation. The strategy is built on a strong operational and governance foundation that supports sustainable growth, long-term value creation, and future readiness.

### Looking ahead: strategic priorities for 2026/27

**Strategic Imperatives**

| Sustainable and Disciplined Growth | Customer and Digital Excellence | Financial and Portfolio stability | Sustainability Readiness |
|---|---|---|---|

Focus areas

**Key Enablers**

| Risk Governance | Human Capital | Technology Enablement | Operational Discipline |
|---|---|---|---|



# Strategy

## Strengthening key enablers

These core enablers support the effective execution of the Company's strategic priorities and strengthen the foundation for long-term resilience and sustainability.

| Key strategic enabler | Strategic importance |
|---|---|
| Risk Governance | Risk Governance ensures that HNBF's growth remains disciplined, sustainable, and aligned with its defined risk appetite. As the Company focuses on secured and lower-risk segments such as leasing and gold loans, strong risk governance supports sound credit evaluation, portfolio monitoring, early risk identification, and effective collections and recovery. It also helps protect capital adequacy, liquidity resilience, and long-term financial stability through structured oversight, stress testing, and regulatory alignment. |
| Human Capital | Human Capital is a key enabler of strategy execution because the Company's transformation depends on the capability, discipline, and commitment of its people. As HNBF strengthens secured lending, collections, risk management, digital adoption, and customer service, employees play a central role in ensuring consistent execution across branches and support functions. Human Capital also supports leadership continuity through succession planning, talent development, and coaching, helping the Company build the skills and mindset required to sustain its transformation journey. |
| Technology Enablement | Technology Enablement supports the Company's shift towards a more scalable, efficient, and customer-centric operating model. Investments in the Core Banking Solution, mobile and internet banking, loan origination systems, workflow automation, and data dashboards help streamline processes, reduce manual intervention, improve service turnaround times, and enhance customer accessibility. These capabilities also strengthen data-driven decision-making by improving information availability, portfolio monitoring, reporting accuracy, and responsiveness across business, risk, and operational functions. |
| Operational Discipline | Operational Discipline ensures that strategy is executed consistently across branches, departments, and support functions. As the Company progresses through transformation, disciplined processes, clear accountability, standardised workflows, and strong monitoring help improve service quality, reduce operational errors, and maintain business continuity. This enables HNBF to remain resilient during periods of change and growth while delivering a more reliable and efficient customer experience. |



## Strategic imperatives

| Strategic imperative | Strategic focus | Key focus areas |
|---|---|---|
| Sustainable and Disciplined Growth | In our context, Sustainable and Disciplined Growth means expanding the business in a manner that protects portfolio quality and long-term stability. The Company will continue to prioritise secured and lower-risk lending segments such as leasing and gold loans, ensuring that growth is supported by sound credit fundamentals, customer affordability, and effective risk controls. This approach enables HNBF to pursue stable earnings, reduce credit volatility, and build a more resilient lending portfolio over time. | – Expansion trough core products<br>– Align growth with capital and liquidity<br>– Improve earnings stability |
| Customer and Digital Excellence | Customer and Digital Excellence focuses on making financial services more responsive, accessible, and convenient across both physical and digital channels. The Company will continue to improve customer engagement through faster service delivery, enhanced mobile and internet banking, loan origination systems, digital onboarding, and workflow automation. These initiatives support a more seamless customer experience while strengthening operational efficiency, service consistency, and long-term customer relationships. | – Improve engagement and service quality<br>– Enhance digital onboarding<br>– Increase convenience<br>– Strengthen customer-centric solutions |
| Financial and Portfolio Stability | Financial and Portfolio Stability focuses on protecting the strength and resilience of the balance sheet while improving the quality of the lending portfolio. The Company will continue to strengthen recovery, portfolio monitoring, liquidity management, and deposit mobilisation to ensure that growth remains sustainable. This approach supports stronger asset quality, stable funding, capital adequacy, and long-term financial resilience. | – Strengthen collections and recovery<br>– Improve portfolio monitoring<br>– Enhance liquidity and funding stability<br>– Maintain capital adequacy |
| Sustainability Readiness | Sustainability Readiness focuses on gradually embedding environmental, social, and governance considerations into strategy, risk management, operations, and reporting. The Company will continue to build internal awareness, strengthen ESG governance, improve sustainability-related disclosures, and align with evolving regulatory and stakeholder expectations. This approach supports responsible growth, long-term resilience, and HNBF's broader commitment to sustainable value creation. | – Build internal ESG awareness;<br>– Strengthen readiness for regulatory expectations<br>– Enhance sustainability governance and reporting<br>– Support responsible business practices |



# Operating Environment

**After the post-crisis recovery, Sri Lanka's macroeconomic performance in 2025 continued to show strong momentum, with real GDP expanding by 5%. This growth was driven by IMF-supported reforms, stronger tourism revenues, and foreign workers' remittances surpassing USD 8 Bn. for the first time. Inflation remained relatively low and stable compared to the crisis years, while foreign exchange reserves improved gradually. In addition, fiscal conditions strengthened considerably, with government revenue collections exceeding projected targets.**

Looking ahead to 2026, Sri Lanka's economic outlook will remain vulnerable to both external and domestic risks, with escalating tensions in the Middle East standing out as a key concern.

## Global economy

According to the IMF's World ***Economic Outlook*** (April 2026), the global economy in 2025 experienced moderate yet uneven growth amid increasing uncertainty. Global output is estimated to have grown by approximately 3.4% during the year, remaining below the long-term historical averages, despite declining inflation and comparatively strong labour market conditions. The economic outlook continued to be influenced by geopolitical conflicts, fragmentation in international trade, and the delayed effects of previous monetary tightening, while downside risks remained significant.

Advanced economies recorded relatively weak growth of about 1.9% in 2025, largely due to low productivity growth, ageing demographics, and the ongoing effects of restrictive monetary policy measures. Although the United States sustained moderate economic momentum, expansion in the euro area and Japan was limited by weak domestic demand and structural constraints, restricting overall growth among advanced economies.

By comparison, Emerging Market and Development Economies (EMDEs) achieved stronger growth, exceeding 4% in 2025. Their performance was driven by resilient domestic consumption, a gradual improvement in global trade activity, and stronger macroeconomic policy frameworks. Nevertheless, disparities remained across these economies, with several countries still facing challenges such as elevated debt burdens, volatile capital flows, and vulnerability to external shocks.

China's economy expanded by roughly 5% in 2025, signalling an ongoing structural deceleration linked to persistent difficulties in the property market, weak consumer sentiment, and demographic pressures. The IMF highlights the importance of shifting towards a consumption-driven growth model to enhance medium-term sustainability and lessen dependence on investment-led development.

India continued to be the world's fastest-growing major economy in 2025, recording growth of about 7.6%. This performance was supported by robust domestic demand, a vibrant services industry, and continued public sector investment, strengthening India's position as a major contributor to global growth, especially among EMDEs.

The global growth outlook for 2026 remains highly uncertain due to risks arising from geopolitical conflicts, volatility in financial markets, and increasing fragmentation in global trade. According to the IMF, these factors could negatively affect investment activity and productivity growth.

## Sri Lankan economy

Sri Lanka's macroeconomic conditions in 2025 showed a sustained and widespread recovery after the crisis period, with annual indicators pointing to progress in the real, monetary, external, and fiscal sectors, despite ongoing structural weaknesses. Real GDP increased by 5% during the year. By sector, industry recorded the strongest growth at 7.8%, while services expanded by 3.3% and agriculture by 1.4%. The recovery was mainly supported by industrial production, construction, and manufacturing activities, together with a gradual improvement in the services sector.



## Fiscal developments

Fiscal performance in 2025 reflected ongoing consolidation under the IMF-backed reform programme. The government recorded a primary surplus of 5.4% of GDP, up from 2.2% in 2024, marking the third straight year of achieving a primary surplus. Government revenue also rose significantly to 16.6% of GDP from 13.6% in 2024, indicating stronger revenue mobilisation compared with previous years. Meanwhile, the overall budget deficit declined to 2.3% of GDP, compared with 6.8% in 2024.

## Inflation

Inflation stayed relatively low throughout 2025, largely due to the impact of strict policy measures introduced in earlier years, better supply conditions, and adjustments to administered prices. Following a period of deflation, inflation returned to positive territory in the latter part of the year, mainly due to the dissipation of the effects of previous energy price reductions and increases in food prices. Overall price trends during the year indicated a clear shift from deflation to low and stable inflation.

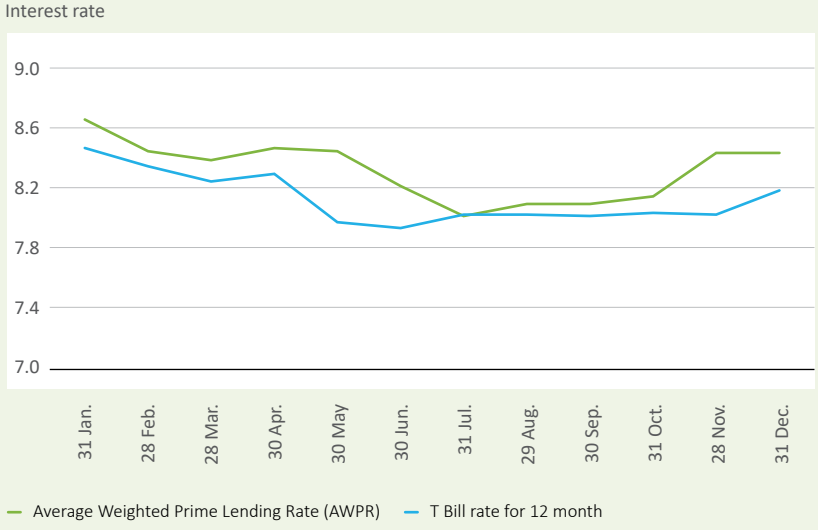
Headline inflation (year-on-year), based on the Colombo Consumer Price Index (CCPI), rose gradually from -4.2% in February 2025 to 2.1% by December 2025. Similarly, headline inflation measured by the National Consumer Price Index (NCPI) increased from -3.9% to 2.9% during the same period.

Despite this increase, inflation remained far below the high levels experienced during the economic crisis. In line with the subdued inflation environment, monetary policy continued to be accommodative, with the Central Bank of Sri Lanka keeping the Overnight Policy Rate unchanged at 7.75% from May 2025 until the end of the year to encourage economic activity and support the recovery of credit growth.

## Interest rates

In general, interest rates fell over the course of the year, reducing borrowing costs for both households and businesses. As a result, private sector credit recorded strong growth in 2025. The easing of import restrictions, particularly on vehicle imports, further boosted demand for financing in connected sectors and supported the expansion of private sector credit. For licensed finance companies, these developments opened up growth opportunities in areas such as leasing, vehicle financing, trade finance, SME lending, and consumer finance.

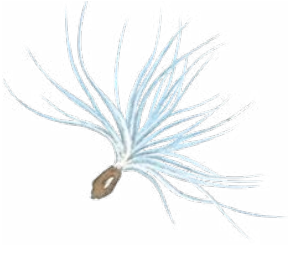
### Movement of interest rates (2025)




## External sector and the exchange rate

The USD/LKR exchange rate remained relatively stable in 2025 compared to the depreciation in the local currency seen during the crisis period, although the Sri Lankan rupee experienced a slight depreciation over the year. The rupee weakened by 5.6% against the US dollar, moving from LKR 292.58 per USD at the end of 2024 to LKR 309.99 per USD by the end of 2025, reflecting continued external sector adjustment.

Sri Lanka's external sector continued to play a key role in supporting macroeconomic stability in 2025. The Central Bank reported that the current account surplus increased to approximately USD 1.7 Bn., equivalent to 1.6% of GDP, marking the third successive year of a surplus. This outcome was supported by a strong performance in services exports and higher workers' remittances, despite the merchandise trade deficit widening to USD 7.9 Bn., or 7.3% of GDP. Workers' remittances reached a record level of around USD 8.1 Bn., representing a year-on-year increase of 22.8%. Meanwhile, the services account recorded a surplus of USD 3.7 Bn. in 2025, while tourism earnings contributed around USD 3.2 Bn.



# Operating Environment

Gross official reserves rose to approximately USD 6.8 Bn. by the end of 2025, supported by IMF disbursements and net foreign exchange purchases by the Central Bank amounting to roughly USD 2.0 Bn. This strengthened Sri Lanka's external buffers and enhanced the country's capacity to withstand external shocks. The improvement also helped rebuild confidence among investors, lenders, importers, and consumers, while reinforcing financial system stability. Nevertheless, going forward, risks remain, particularly from geopolitical tensions that could place pressure on reserves and the exchange rate. Higher oil prices and shipping costs could increase foreign exchange demand for imports, while heightened global risk aversion may weaken investor interest in emerging and frontier market assets.

## Export performance

Sri Lanka's export performance in 2025 demonstrated a sustained recovery in the external sector, with combined earnings from goods and services exports reaching nearly USD 17.3 Bn. This represented an annual growth of approximately 5.6%. The increase reflected stronger export capacity following the economic challenges of previous years, aided by improving global demand and domestic policy reforms. Exports continued to play a vital role in macroeconomic stabilisation, with both merchandise and services exports contributing to overall growth, although the expansion was mainly led by goods exports.

Merchandise exports accounted for around USD 13.6 Bn., growing by around 6.3% compared to the previous year. Key contributors included apparel and textiles, tea, rubber-based products, and coconut-based exports, alongside gradual diversification into higher value-added agricultural and industrial goods. Strong demand from major markets, including the European Union and regional partners, further supported this performance.

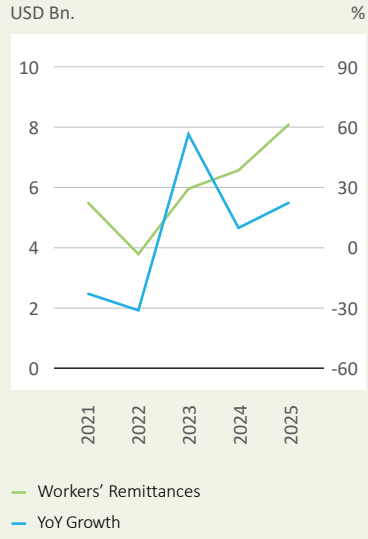
Services exports reached approximately USD 3.7 Bn., expanding more modestly by around 2.8% year-on-year. While this growth rate was slower than the growth rate of merchandise exports, services exports increased its share of total exports to over one-fifth, driven mainly by ICT/BPM services, transport and logistics, and financial services, highlighting a gradual shift towards more knowledge-intensive and higher value-added export activities.

## Workers' remittances

Workers' remittances to Sri Lanka grew strongly in 2025, rising to a record USD 8.1 Bn. from USD 6.6 Bn. in 2024, a 22.8% year-on-year increase. This reinforced their role as a key source of non-debt foreign exchange inflows, supported by improved formal remittance channels and continued outward labour migration. The increase also contributed positively to foreign reserve accumulation and the overall balance of payments position.

However, the outlook for 2026 is more uncertain. While early inflows remain strong and remittances may stay around or slightly above USD 8 Bn. under stable conditions, risks are rising due to geopolitical tensions, particularly the conflict in the Middle East. Since nearly half of Sri Lanka's remittances come from that region, any disruption to employment opportunities, migration flows, or wages could significantly reduce inflows. Risks include possible worker repatriation and reduced hiring in Gulf economies. Overall, remittances are expected to remain a major foreign exchange source in 2026, but with downside risks unless there is labour market diversification and improvement in supportive policies.

### Workers' remittances

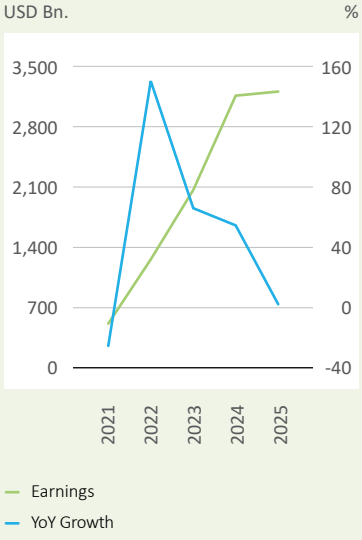



## Tourism

Sri Lanka's tourism industry experienced a strong and historically important recovery in 2025, reinforcing its position as a major contributor to foreign exchange earnings and overall economic activity. Tourist arrivals rose to around 2.36 Mn., the highest on record and a 15% increase compared to 2024, signaling a complete rebound from the series of shocks in previous years. Tourism earnings increased slightly from USD 3.17 Bn. in 2024 to approximately USD 3.22 Bn. in 2025, which is a growth of just 1.6% year-on-year, highlighting a mismatch between arrival numbers and revenue performance mainly due to lower average expenditure per tourist, shorter stays, and shifts in visitor demographics.

Looking ahead to 2026, performance will be dampened by geopolitical risks, particularly tensions in the Middle East. Disruptions affecting major transit hubs like Dubai, Doha, and Abu Dhabi have already impacted connectivity and bookings, particularly during peak seasons, exposing Sri Lanka's reliance on Gulf routing for long-haul tourism. Broader regional instability may also raise fuel costs and dampen global travel demand. While there is a limited upside if some travellers move away from affected Middle Eastern destinations to alternatives like Sri Lanka, the overall risk outlook is negative in the short term. Nevertheless, the medium-term trajectory for Sri Lanka's tourism sector remains broadly positive, assuming that external conditions will eventually stabilise.

### Earnings from tourism




Overall, Sri Lanka's macroeconomic performance in 2025 shows a phase of stabilisation marked by steady economic growth, low inflation, stronger external stability, and improved fiscal results. However, the recovery is still fragile, with ongoing risks from high debt levels, external imbalances, and socio-economic issues such as widespread poverty and weakened household resilience.

## Financial sector

In 2025, Sri Lanka's financial sector showed a clear transition from post-crisis stabilisation to recovery, driven by improved macroeconomic conditions, easing inflation, and accommodative monetary policy. The banking sector, which remains dominant, recorded strong growth in assets and credit, improved profitability, and stable capital adequacy. Licensed Finance Companies also expanded rapidly, aided by stronger credit demand and lower interest rates.

The insurance sector posted steady growth in premiums, assets, and capital, though market penetration remained relatively low. The equity market performed strongly on the back of improved investor confidence, macroeconomic stability, and stronger corporate earnings, despite limited foreign participation.

Government securities yields declined notably from crisis-era highs due to better fiscal conditions, reduced reliance on short-term borrowing, and supportive monetary policy, although a late-year rise in Treasury bill yields was observed and long-term yields remained relatively elevated due to term premia. Financial infrastructure continued to improve through greater digital payment adoption, stronger RTGS and retail systems, and enhanced credit information via CRIB.

The microfinance sector experienced significant structural changes in 2025. The Microfinance and Credit Regulatory Authority Act (No. 9 of 2026), effective from March 2026, established a dedicated regulator for microfinance and moneylending, while strengthening licensing, supervision, and borrower protection.

Sri Lanka's banking, insurance and non-bank financial institution (NBFI) sectors showed strong recovery and growth during 2025 amid improving economic conditions and financial sector reforms. The banking sector recorded higher profitability, asset growth and credit expansion, while non-performing loan ratios gradually declined, indicating improved asset quality. Banking sector profits increased by 13.7% to LKR 369 Bn., supported by stronger lending activity and higher interest income. The insurance sector also expanded through increased premiums and assets, although profitability weakened due to higher claims and operational costs. Meanwhile, the NBFI sector experienced rapid growth in loans, deposits and total assets, largely driven by vehicle financing and gold-backed lending, while profitability and asset quality improved significantly during the year.

Overall, the financial sector reflected a maturing operating environment in 2025 with stronger macroeconomic conditions, tighter regulatory oversight, and evolving credit demand. While growth remained robust across key segments, rising borrower complexity and concentration risks highlight the need for prudent credit practices and adaptive regulation to maintain long-term stability.

# Operating Environment

The Central Bank of Sri Lanka played a crucial role in boosting financial stability and long-term sustainability through policy easing, strengthened macroprudential oversight (including D-SIB frameworks), consumer protection measures, digital payment reforms, and the launch of Sustainable Finance Roadmap 2.0.

## Licensed finance companies sector

The Licensed Finance Companies (LFC) sector in Sri Lanka showed a strong recovery in 2025, aided by improved macroeconomic conditions and stronger regulatory oversight. Following recent stabilisation measures, the operating environment for non-bank financial institutions improved, with lower inflation, more stable exchange rates, and a gradual rebound in economic activity, all of which strengthened borrower repayment capacity and credit demand. In this context, LFCs continued to play an important role in financial intermediation, especially in providing credit to SMEs and retail customers.

The sector's asset base expanded significantly by 44.0%, rising from LKR 1,928.4 Bn. in 2024 to LKR 2,776.7 Bn. in 2025, mainly driven by renewed lending activity. Net loans and advances remained the largest asset component at 80.2%, growing by 56.0% year-on-year, reflecting increased demand for leasing, pawning, and other retail lending products. This momentum supported profitability, with profit after tax rising by 49.9% from LKR 59.0 Bn. to LKR 88.5 Bn., driven by higher net interest income and impairment reversals amid improved asset quality.

Asset quality improved notably, with gross Stage 3 loans falling from 11.5% to 6.1% and net Stage 3 loans declining from 6.5% to 3.2%, reflecting stronger recoveries, restructuring efforts, and better economic conditions. Provisioning levels also strengthened, improving balance sheet resilience. While deposits remained the main funding source, credit growth outpaced deposit mobilisation, leading to a higher loan-to-deposit ratio, thereby highlighting the importance of prudent liquidity management.

Overall, improved confidence and oversight strengthened sector resilience, though rapid credit expansion, higher reliance on borrowings, and tighter capital and liquidity buffers suggest that sustained performance will depend on prudent lending practices, stable funding, and continued regulatory vigilance. In that context, regulatory supervision by the Central Bank of Sri Lanka continued to support stability through prudential, capital, and governance requirements.

## Regulatory landscape

Regulatory developments in Sri Lanka's financial sector in 2025 were shaped by a continued post-crisis reform agenda aimed at strengthening institutional credibility, financial stability, and regulatory oversight. A central pillar of these reforms was the ongoing implementation of the Central Bank of Sri Lanka Act No. 16 of 2023, which was operationalised through policy actions in 2025, reinforcing central bank independence, price stability mandates, and macroprudential oversight functions. Within this framework, the Central Bank of Sri Lanka (CBSL) strengthened prudential supervision through updated directions for licensed banks, including tighter corporate governance standards, stricter fit-and-proper requirements for directors and key management, and the introduction of recovery planning frameworks for systemically important banks. These reforms were supported by revised criteria for identifying Domestic Systemically Important Banks (D-SIBs), with the aim of reducing systemic risk and improving sector resilience.

In parallel, reforms extended to credit risk management and consumer protection. CBSL introduced stricter loan-to-value (LTV) limits for vehicle financing and enhanced disclosure requirements, including mandatory cybersecurity incident reporting, reflecting a shift towards risk-based and technology-aware supervision. In the non-bank financial sector, Finance Company Directions No. 01 of 2025 established a structured mechanism for setting deposit and debt instrument interest rates based on benchmarks such as Treasury bill yields and the Overnight Policy Rate, promoting transparency and more consistent pricing across finance companies.

The regulatory landscape also expanded with the establishment of a Microfinance and Credit Regulatory Authority in 2026, further strengthening oversight through tighter licensing, supervision, and borrower protection measures. A major trend in 2025 was the acceleration of financial sector digitalisation and payment system reform. The launch of the GovPay platform, supported by CBSL circulars, introduced standardised transaction fee structures and operating rules, supporting efficiency, financial inclusion, and reduced cash dependency.



Additional reforms in investment regulation, particularly in the Colombo Port City, reflected a shift towards rules-based governance and streamlined incentives, aligned with IMF-supported structural reforms and fiscal discipline objectives. Overall, these developments indicate a structural strengthening of Sri Lanka's financial system through improved prudential oversight, stronger governance, digital modernisation, and more risk-based regulation.

## Future priorities

Looking ahead to 2026, Sri Lanka's economic outlook will be shaped by both external and domestic risks, with heightened uncertainty stemming from ongoing tensions in the Middle East. The conflict has the potential to disrupt global energy supply, shipping routes, and commodity markets, contributing to higher inflation, increased volatility, and weaker global growth, as highlighted by the IMF. These developments are crucial for countries with small, import-dependent economies such as Sri Lanka.

The most immediate impact would likely come through higher energy prices. As Sri Lanka relies heavily on imported petroleum, sustained increases in oil prices would raise the import bill, widen the trade deficit, and add inflationary pressure. This would also increase costs across transport, logistics, agriculture, manufacturing, and tourism, slowing broader economic activity. Disruptions to shipping could further affect supply chains, including fertiliser distribution, with knock-on effects on food availability and prices.

Beyond trade channels, the conflict could also weaken migrant remittances and tourism earnings, both key sources of foreign exchange for Sri Lanka. At the same time, prolonged global inflationary pressures could lead major central banks to keep interest rates higher for longer, tightening global financial conditions. This would raise borrowing costs, constrain capital inflows, and affect investor confidence in emerging markets.

Overall, Sri Lanka's economic space in 2026 will depend not only on domestic fiscal and inflation management, but also on how global energy markets and financial conditions evolve. We will closely monitor the evolving developments in the global and local spheres with a view to holistically identifying the risks, opportunities and challenges that lie ahead for the financial sector of Sri Lanka. These insights will inform HNB Finance's strategic planning, enabling the Company to respond effectively to emerging risks, opportunities and stakeholder needs.







# Business Model

## INPUTS
What Helps us to Create Value

### FINANCIAL CAPITAL
- Equity LKR 9,256 Mn.
- Debt LKR 10,500 Mn.
- Deposits LKR 68,927 Mn.
- Assets LKR 94,395 Mn.
- Liabilities LKR 85,138 Mn.

### INTELLECTUAL CAPITAL
- Brand Strength through core values and adherence to business practices
- Business Transformation

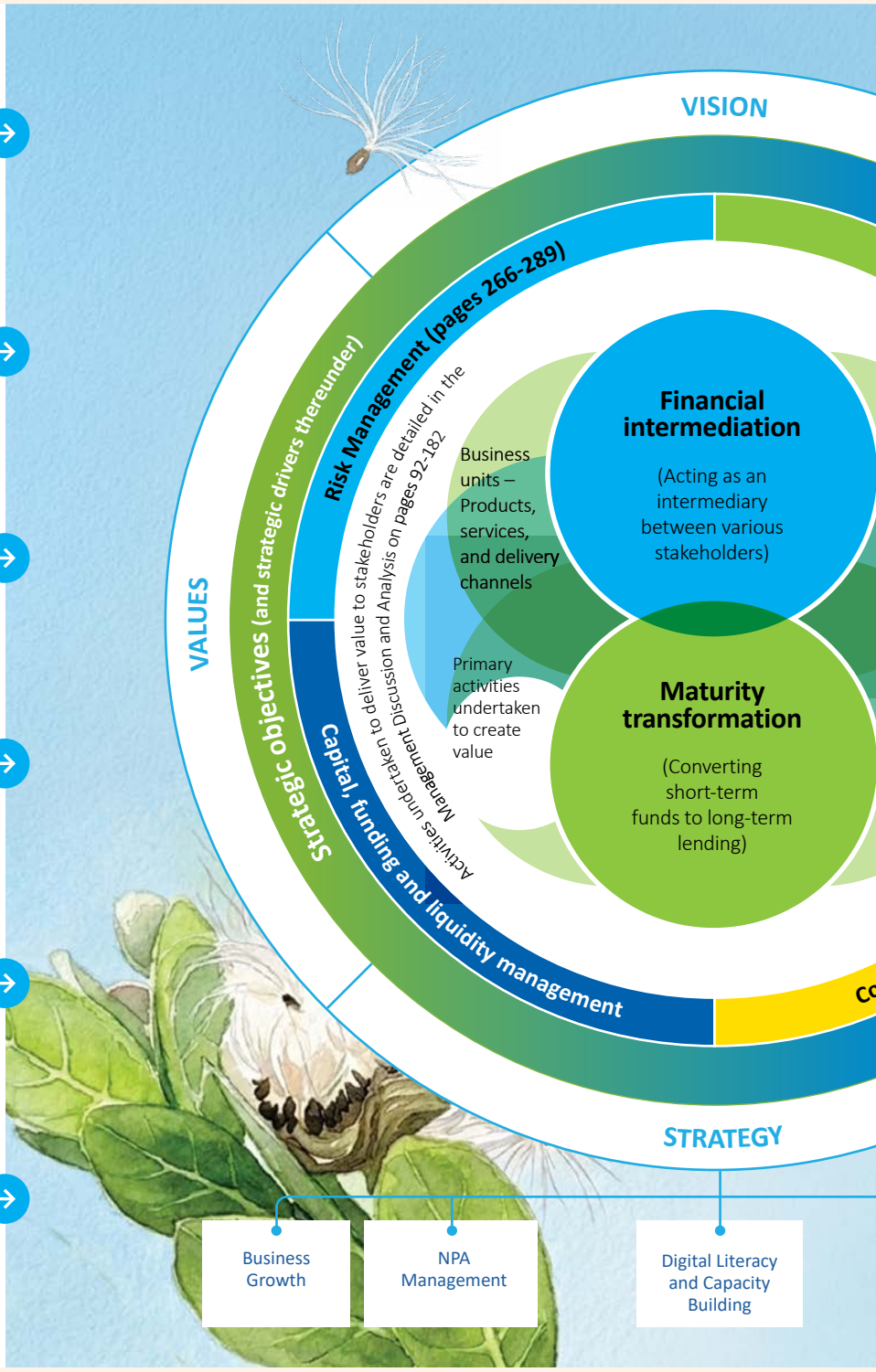
### MANUFACTURED CAPITAL
- Number of Branches 76
- PPE amount LKR 2,154 Mn.

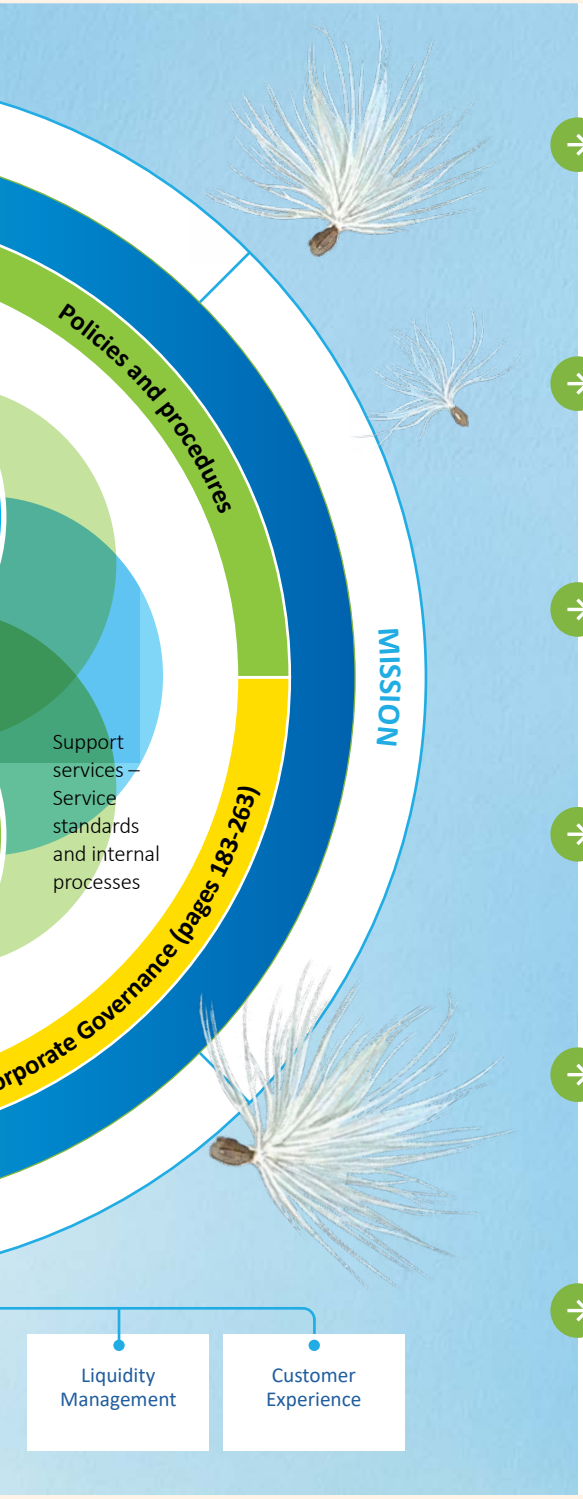
### HUMAN CAPITAL
- Skilled, well trained, experienced and diverse workforce of 1,907 employees

### SOCIAL AND RELATIONSHIP CAPITAL
- Long-standing relationships built and strengthened over the years with customers, business partners, and key stakeholders.

### NATURAL CAPITAL
- Eco-conscious business practices aimed at lessening our impact on the environment.

## ACTIVITIES
What We do to Create Value






## OUTPUTS

### FINANCIAL CAPITAL

- Profit LKR 1,681 Mn.
- Profit Growth 120%
- ROE 19.96%
- Portfolio Growth (Gross) 64%
- Leasing Portfolio Growth 98%
- Gold Loan Portfolio Growth 80%

### INTELLECTUAL CAPITAL

- Brand Ranked among the top 50 most valuable customer brands
- Credit Rating A(lka) outlook stable
- Robust systems & processes
- 25 years of existence in the industry

### MANUFACTURED CAPITAL

- Launch of mobile and internet banking
- 5 gold loan centres re arrangement and renovations and 4 branch renovations

### HUMAN CAPITAL

- Great Place To Work (GPTW) Certificate
- Job security and safe working environment
- Employee training, professional development and opportunity for career advancements

### SOCIAL AND RELATIONSHIP CAPITAL

- Social Sustainability Initiatives 12
- Investment in CSR LKR 11.06 Mn.
- Customer base of over 275,000

### NATURAL CAPITAL

- Saved 67 trees by recycling 657 kg of e-waste
- Four environmental collaborations aimed at promoting eco-friendly practices and sustainable development.

## IMPACTS

### Shareholders/Investors

The company delivers sustained profit growth and enhanced Return on Equity (ROE), reinforcing shareholder value through a steadily expanding portfolio.

### Customers

Customers benefit from strengthened relationships, and an ongoing commitment to trust and service excellence.

### Employees

The company fosters an inclusive and supportive work environment that prioritises employee well-being, professional growth, and long-term career development.

### Business Partners

Strengthened partnerships through long-standing relationships and reliable business practices, contributing to mutual growth and shared success.

### Government

Through responsible financial operations, tax contributions, and regulatory compliance, the company plays a vital role in supporting national economic stability and development.

### Local Communities

The company empowers communities with targeted social sustainability initiatives and CSR investments, enriching lives beyond financial services.

### Environment

The company integrates environmentally responsible practices into its operations, promoting ecological awareness and long-term resource stewardship.

# Sustainability and Responsible Value Creation

Sustainability remains an integral component of HNB Finance's long-term strategic direction, supporting the Company's commitment to responsible growth, operational resilience, and sustainable value creation for all stakeholders. As a financial institution operating within an evolving economic, environmental, social, and regulatory landscape, HNB Finance continues to progressively integrate sustainability considerations into governance practices, strategic decision-making, risk management processes, operational activities, and stakeholder engagement initiatives.

The Company recognises that sustainability extends beyond regulatory compliance. It reflects the broader responsibility of enabling inclusive economic participation, strengthening climate-related awareness, promoting ethical business conduct, enhancing operational resilience, and contributing to long-term environmental and social wellbeing. Through this evolving sustainability journey, HNB Finance seeks to balance business growth with responsible corporate conduct while strengthening sustainability governance, operational efficiency, climate awareness, and stakeholder trust.

As part of this commitment, the Company continues to enhance its sustainability-related governance frameworks, environmental monitoring initiatives, responsible lending practices, employee wellbeing programmes, digital transformation efforts, and community engagement activities in line with emerging stakeholder expectations and developments within the financial services sector.

## Emerging sustainability

- Climate-related risks and the increasing impacts of extreme weather conditions across Sri Lanka.
- Growing stakeholder expectations relating to sustainability governance and responsible business conduct.
- Financial inclusion and equitable access to financial services across regional communities.
- Expansion of digital financial services and paperless operational practices.
- Responsible lending and sustainable financing considerations including energy-efficient and electric vehicle financing.
- Operational resilience, cybersecurity, and customer data protection requirements within a digital-first environment.
- Increasing importance of ESG integration within governance and enterprise risk management frameworks.
- Renewable energy adoption and operational energy efficiency initiatives.
- Responsible resource consumption and waste management practices including e-waste and paper recycling initiatives.
- Employee well-being, workforce engagement, and inclusive workplace practices.
- Community empowerment, financial literacy, and workforce development initiatives.
- Increasing regulatory expectations relating to governance, sustainability integration, and operational resilience.
- Strengthening climate-related awareness and long-term organisational resilience within the financial services sector.

## Guidelines

- UN Sustainable Development Goals.
- Labour Convention of the International Labour Organisation.
- GRI Standards issued by the Global Sustainability Standards Board (GSSB).
- SLFRS Sustainability Disclosure Standards (SLFRS S1 and S2) issued by the Institute of Chartered Accountants.
- ISO/IEC 27001 the International Standard for Information Security Management Systems.
- Financial Transactions Reporting Act No. 6 of 2006
- Colombo Stock Exchange (CSE) Listing Rules.
- Sri Lanka Green Finance Taxonomy Guidelines.
- CBSL Sustainability Road Map 2.0.

## Internal lines of defense

- Board Strategic and Investment Review Committee
- Management Committee
- ESG Policy

# Approach to sustainability

## Our sustainability model

HNB Finance's sustainability model is anchored on the integration of environmental, social, and governance considerations into business strategy and operational execution. The model connects responsible growth with stakeholder value creation by aligning governance oversight, management coordination, operational controls, and sustainability reporting readiness.

### Environment

- Greenhouse gas (GHG) emissions monitoring
- Energy-efficient and sustainable lending
- Responsible resource consumption
- Waste management and recycling initiatives
- Paperless and digital operations
- Environmental sustainability awareness

### Social

- Financial inclusion and accessibility
- Customer protection and responsible lending
- Financial literacy and community empowerment
- Women's economic participation
- Employee wellbeing and workplace safety
- Workforce diversity and inclusion
- Training and workforce development
- Digital financial accessibility

### Governance

- Ethical business practices
- Integrated risk management integration
- Regulatory compliance and transparency
- Data privacy and cybersecurity
- Business continuity and operational resilience
- Sustainability reporting readiness
- Stakeholder engagement and accountability

## DRIVING POSITIVE ENVIRONMENTAL IMPACT THROUGH RESPONSIBLE ACTION

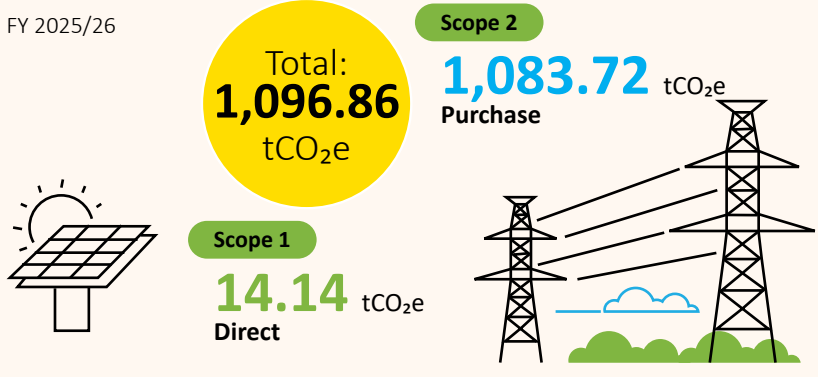
### Managing environmental impact through GHG emissions assessment

Recognising the growing importance of climate accountability, HNB Finance continued to strengthen its environmental stewardship by initiating structured greenhouse gas (GHG) emissions measurement practices during the year, in collaboration with Climate SI (Climate Smart Initiatives). By quantifying carbon emissions generated through operational activities, the Company improved its ability to identify environmental footprint, strengthen resource efficiency, and support informed decision-making towards long-term sustainability goals.

The assessment of carbon emissions reflects HNB Finance's commitment to understanding and responsibly managing its environmental footprint while aligning with emerging sustainability and climate-related disclosure expectations. Through this initiative, the Company aims to progressively improve environmental data accuracy, enhance monitoring mechanisms, and support future carbon reduction strategies across operations. This proactive approach demonstrates the Company's recognition that sustainable business growth must be supported by responsible environmental management and greater climate resilience.

### HNBF GHG emissions

FY 2025/26




Measured to strengthen climate monitoring and future sustainability reporting.

## Progressing long-term carbon reduction and ecological resilience

In line with our commitment to long-term carbon reduction and environmental sustainability, HNBF has progressed its afforestation efforts by securing approval to implement a 5-acre reforestation project in the Embilipitiya region, within the Sankapala area. Scheduled to commence in the upcoming financial year, this initiative marks a significant step toward enhancing natural carbon sinks and fostering ecological resilience.

This project is part of our broader strategy to contribute to climate mitigation while supporting the conservation of biodiversity. Situated in a region renowned for its rich ecological significance, the afforestation effort aims to create a positive ecological ripple effect on the surrounding communities, particularly in Panahaduwa village. The Sankapala forest plays a vital role in water conservation and ecosystem stability, directly benefiting local communities that depend on these natural resources for their livelihoods.

By focusing on the protection and revitalisation of this critical forest ecosystem, HNBF is committed to not only reducing carbon emissions but also ensuring the sustainable management of natural resources that underpin rural well-being. This initiative exemplifies our dedication to environmental stewardship and sustainable development, with a focus on making a meaningful and lasting ecological impact.

## Financing a greener future

HNBF has continued to strengthen its commitment to environmental sustainability and inclusive economic development through targeted green financing initiatives. As part of our Leasing segment, we successfully granted financing for electric vehicles (EVs) and energy-efficient vehicles, supporting the transition toward cleaner mobility solutions. Our dedicated EV financing product has been instrumental in making low-emission transportation options more accessible to individual consumers and small businesses, offering flexible terms that lower entry barriers and encourage adoption.

This initiative aligns with our broader goal of reducing carbon emissions and contributing to national and global climate objectives. By promoting the shift from fossil fuel-powered vehicles to electric and energy-efficient alternatives, HNBF is actively supporting a sustainable transportation ecosystem.

In parallel, our Micro Finance segment has expanded its focus on eco-friendly projects, including organic farming, environmentally conscious retail ventures, and community-based recycling initiatives. These efforts aim to foster gender equity and drive green economic development, particularly within rural and underserved communities.

These green financial products are central to HNBF's sustainability roadmap, reflecting our commitment to responsible innovation. By integrating environmental and social considerations into our business strategies, we are not only contributing to long-term stakeholder value but also supporting the achievement of national sustainable development goals. Through these initiatives, HNBF continues to lead the way in promoting a greener, more inclusive economy.

## Responsible consumption for sustainable operations

HNB Finance continued to strengthen responsible resource consumption by monitoring energy and water usage across its operational network. Conscious resource management practices were implemented to improve operational efficiency, reduce wastage, and encourage environmentally responsible workplace behaviour throughout the organisation.

The Company recognises that efficient utilisation of natural resources plays a critical role in minimising environmental impact while enhancing long-term operational sustainability. Initiatives undertaken during the year focused on energy conservation, optimising electricity usage, encouraging responsible water consumption, and creating greater employee awareness on environmental responsibility. Despite operational expansion and business growth, HNB Finance remained focused on prudent resource utilisation, reflecting its commitment to balancing business performance with environmental responsibility.

## Transforming waste into environmental responsibility

In 2025/26, HNBF continued its commitment to responsible environmental practices through the ongoing management of electronic waste. Building on our successful partnership with N.S Green Links Lanka (Pvt) Ltd, a leading environmental solutions provider, we disposed of 657 kilograms of electronic waste in an environmentally friendly manner. This responsible disposal process adhered to best practices for recycling and material recovery, significantly reducing our carbon footprint.

By managing electronic waste effectively, we contributed to the conservation of natural resources, the preservation of ecosystems, and the prevention of environmental pollution. Notably, our responsible recycling efforts helped save the equivalent of 67 mature trees from being cut down and reduced carbon emissions by approximately 3,542 kilograms, demonstrating our tangible impact on climate change mitigation.

This initiative underscores HNBF's dedication to integrating sustainability into our core operations. Through such environmentally conscious actions, we aim to foster a greener future, protect community health, and reinforce our role as a responsible corporate citizen committed to environmental stewardship and sustainable development.




### Powering operations through renewable energy

Demonstrating its commitment to renewable energy adoption and carbon footprint reduction, HNB Finance continued to generate solar power through solar power units located in four branches. Renewable energy generation reduced dependence on conventional electricity sources while supporting cleaner and more sustainable energy consumption practices.

Solar power generation not only contributes to long-term energy cost reduction, but also supports the reduction of greenhouse gas emissions associated with electricity consumption. This initiative reflects HNB Finance's broader commitment to integrating environmentally sustainable solutions into business operations while supporting the transition towards a low-carbon economy. The Company will continue to explore opportunities to expand renewable energy adoption and strengthen environmental sustainability initiatives in the years ahead.

## CREATING POSITIVE SOCIAL IMPACT THROUGH INCLUSIVE GROWTH

### Expanding financial access across communities

HNB Finance continued to strengthen financial inclusion by enhancing access to reliable and affordable financial services across the country. With a network of 76 branches strategically positioned across diverse regions, the Company maintained a strong presence beyond the Western Province, enabling broader access and supporting underserved communities nationwide.

The Company's branch distribution strategy reflects its commitment to ensuring that financial services remain accessible to customers across both urban and regional areas. This widespread presence enables HNB Finance to better understand and respond to the diverse financial needs of individuals and businesses throughout the country.

Further strengthening customer convenience, HNB Finance continued to leverage the extensive network and strategic synergy of its parent company, Hatton National Bank PLC, providing customers with access to a wider platform of over 820 ATMs island-wide. This enhances service convenience and reinforces the Company's ability to deliver financial solutions across multiple touchpoints.

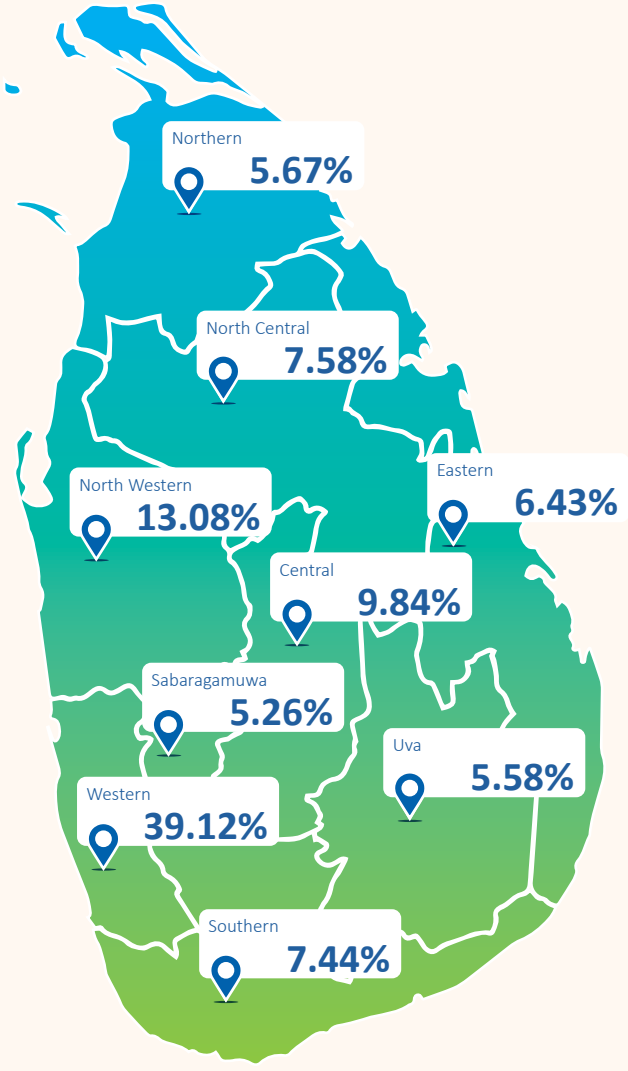
### Driving inclusive growth through balanced financial reach

The portfolio distribution of HNB Finance reflects the Company's balanced and inclusive approach to nationwide financial empowerment. Funding allocation remained diversified across regions rather than concentrated within a limited geographic area, enabling broader participation in financial opportunities.

This diversified regional presence allows customers from different economic and social backgrounds to access financial products and services equitably, contributing to financial inclusion and regional economic development. By maintaining a balanced lending footprint, HNB Finance supports entrepreneurship, individual financial progress, and economic resilience across multiple communities.

# Sustainability and Responsible Value Creation

## Our portfolio across the nation




## Enhancing accessibility through digital financial solutions

During the financial year, HNB Finance strengthened customer accessibility through the launch of internet and online banking services, marking a significant milestone in the Company's digital transformation journey. This expanded access to financial services beyond traditional physical channels, enabling greater convenience, flexibility, and reach.

Digital banking capabilities allow customers to perform transactions and access services securely and efficiently from any location, improving accessibility for customers with mobility, time, or geographic constraints. By integrating digital channels with its physical branch network, HNB Finance continues to build a more inclusive, customer-centric, and technology-enabled financial ecosystem that supports sustainable growth and improved customer experience.

## Empowering communities through financial knowledge

In 2025/26, HNB Finance continued to demonstrate its leadership in fostering financial literacy among underserved and less-literate customer segments. Building on our previous efforts, we successfully conducted seven targeted financial literacy programmes across various communities nationwide. These initiatives remain a core part of our proactive approach to bridging the financial knowledge gap at the grassroots level.

Our bespoke programmes provided practical insights and skills in essential areas such as budgeting, saving, and debt management. Designed to be accessible and culturally relevant, these sessions are tailored to address the specific challenges faced by rural and underserved populations, empowering individuals to make informed financial decisions and improve their overall financial well-being.

As a sector-leading initiative, HNB Finance's financial literacy programmes reflect our commitment to inclusive growth and capacity-building. By equipping communities with vital financial knowledge, we aim to foster a responsible savings culture, promote financial resilience, and contribute to a more financially secure future for all. This initiative underscores our broader dedication to creating lasting social impact through education and empowerment at the community level.



***Financial Literacy Programme***

**Seven Financial Literacy Programmes**

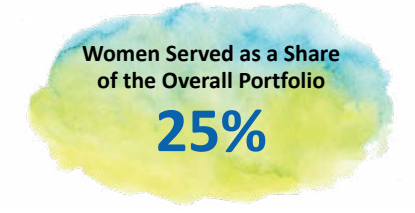
**500+ Participants**

## Enabling economic independence for women

Throughout 2025/26, HNB Finance continued to strengthen its commitment to promoting gender equality and empowering women through targeted financial initiatives. Our portfolio has shown a consistent and notable increase in female participation, underscoring our dedication to fostering inclusive economic growth.

A significant proportion of our microfinance loans have been extended to women entrepreneurs, enabling them to establish and expand their businesses. This support not only enhances individual livelihoods but also contributes meaningfully to local economic development and community resilience. By prioritising equitable access to financial resources for women, HNB Finance actively promotes social inclusion and economic empowerment.

These efforts highlight our role in advancing the social dimension of ESG principles within the industry. Our focus on gender-responsive financial services reflects our broader mission to drive positive social change, support responsible corporate citizenship, and foster sustainable development through inclusive financial opportunities for women across the communities we serve.

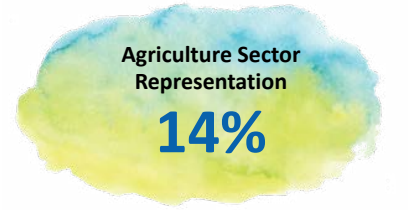



## Supporting rural economies through agricultural financing

During the financial year, HNB Finance reaffirmed its commitment to fostering inclusive growth in the agriculture sector, which is a vital component of our overall portfolio. A significant share of our financial resources was allocated to microfinance products tailored specifically for farmers and agricultural communities.

Our focus on providing targeted funding and specialised financial services aims to support sustainable agricultural practices, improve productivity, and uplift the livelihoods of farming households. These initiatives are designed to drive economic growth in rural areas while ensuring that development is environmentally responsible and socially inclusive.

By prioritising responsible and inclusive financial support for the agricultural sector, HNB Finance underscores its dedication to empowering farmers, promoting environmental sustainability, and strengthening rural communities. Our strategic approach not only contributes to local economic resilience but also aligns with our broader mission of fostering responsible development and social impact.




## Developing future talent through workforce exposure

HNB Finance reaffirmed its dedication to community empowerment and inclusive growth by expanding its initiatives in workforce development. Recognising the importance of nurturing local talent, we continued to offer structured internship programmes aimed at both school leavers and university students.

Our internship programmes are designed to bridge the gap between academic learning and real-world professional experience. For school leavers, these initiatives serve as an essential introduction to corporate operations, helping them develop foundational skills and workplace readiness. For university students, the internships are curated to align with their academic backgrounds and career aspirations, providing practical, hands-on training that supports their professional growth.

By creating these valuable learning opportunities, HNB Finance not only contributes to building a skilled and competent future workforce but also strengthens the pipeline of talented individuals poised to contribute to the financial sector and beyond. Our commitment to fostering experiential learning underscores our broader mission of promoting sustainable community development and economic resilience.




## Building trust through responsible customer practices

Throughout 2025/26, HNB Finance has consistently prioritised the trust and well-being of our customers as a fundamental aspect of our operations. Our approach centers on delivering responsible products, maintaining transparent communication, and ensuring ethical service delivery at every level.

We have reinforced our policies to uphold transparency, fairness, and accountability across all touchpoints. This includes clear articulation of product terms, equitable lending practices, and rigorous oversight of marketing materials and financial advice to prevent misinformation and undue influence—especially among financially inexperienced customer segments.

To support our customers effectively, we offer multiple channels for feedback, concerns, and dispute resolution. These include dedicated branch support, a responsive call centre, and structured escalation paths to ensure issues are addressed promptly and fairly. Our customer care teams undergo continuous training on regulatory requirements, customer rights, and ethical service delivery, fostering a customer-first culture that builds trust and promotes long-term financial inclusion.

Through these dedicated efforts, HNB Finance aims to strengthen customer confidence, promote responsible financial behaviour, and contribute to resilient and inclusive financial ecosystems.

## Building an inclusive and diverse workplace

### Advancing diversity, equity, and inclusion across the organisation

At HNBF, diversity remains a fundamental pillar of our inclusive culture and a key driver of our innovation and resilience. Our recruitment and workforce development strategies are rooted in meritocracy, while actively promoting gender parity, regional balance, and linguistic inclusivity.

This year, we have observed continued progress in gender representation within our organisation. Our efforts have resulted in a workforce that is approximately 79% male and 21% female, demonstrating our ongoing commitment to fostering gender diversity and creating opportunities for leadership among women. Notably, we have made significant strides in increasing female participation at managerial levels, reflecting our dedication to gender equity in leadership roles.

We also prioritise multilingual communication practices across internal and external channels to mirror the linguistic diversity of our employees and customer base. Cultural harmony is celebrated and reinforced through workplace festivities such as Sinhala and Tamil New Year, as well as Christmas, fostering mutual respect and strengthening employee engagement.

Through inclusive hiring practices, awareness campaigns, and ongoing DEI initiatives, HNBF continues to build a more diverse, equitable, and inclusive organisation. We remain committed to advancing these efforts, ensuring that diversity is not only celebrated but also integrated into our growth and success.

| | Male | Female |
|---|---|---|
| Employees | 1,510 | 397 |
| Board | 7 | 1 |

## Creating meaningful employee experiences

Employee engagement framework is purposefully designed to cultivate a vibrant, inclusive, and people-centric workplace environment. Throughout this reporting year, we continued to prioritise initiatives that support wellness, effective communication, recognition, and work-life harmony.

We successfully conducted a diverse array of nine engaging activities aimed at strengthening our organisational culture and employee connection. Highlights included team-building programmes that foster collaboration and camaraderie among colleagues. Our Talent Club initiatives provided opportunities for skill development and peer learning.

In addition, we organised culturally and personally enriching activities, including Women's Day celebrations, Wesak Bakthi Gee performances, and personal grooming and wellness sessions conducted in collaboration with external partners. These initiatives contributed to the holistic development of our employees, promoting both personal growth and cultural appreciation.




***Vesak Celebration***

Furthermore, wellness campaigns and recreational activities were integral in ensuring our employees felt valued, connected, and aligned with the Company's broader purpose. By investing in these initiatives, HNBF remains committed to creating a supportive and engaging workplace that empowers our people and drives our collective success.




## Maintaining fair and ethical labour practices

The Company is dedicated to upholding fair labour practices that are rooted in regulatory compliance, ethical responsibility, and a steadfast focus on employee wellbeing. This year, we continued to strengthen our policies and processes to ensure a supportive and respectful work environment.

Our HR framework remains robust, supported by an updated HR Manual, a comprehensive Remuneration Policy, and an Employee Handbook that guide transparent recruitment, merit-based performance progression, and grievance redressal. We have maintained a structured grievance handling mechanism to ensure employee concerns are addressed in a timely and equitable manner.

To foster constructive dialogue and resolution, the Company has appointed mediation officers who facilitate conflict resolution and promote a harmonious workplace. Our strict anti-discrimination protocols continue to reinforce our commitment to a respectful and inclusive environment, where every employee feels valued and supported.

Through these ongoing initiatives, HNBF strives to protect, support, and empower our human capital throughout their entire employee journey, reinforcing our dedication to ethical labour practices and a positive organisational culture.

## Prioritising employee health, safety and well-being

Safety and well-being of our employees remain a core pillar of HNBF's sustainability vision. This year, we enhanced our efforts by providing comprehensive training on health, safety, and fire response procedures, led by a dedicated cross-departmental team committed to fostering a proactive safety culture.

We implemented regular safety assessments, awareness campaigns, and clear response protocols to ensure a secure and supportive workplace for all staff. Recognising that well-being extends beyond physical safety, we also focused on mental health initiatives. These included wellness workshops, access to gym facilities, and campaigns promoting healthy lifestyle choices.

Our holistic approach to employee wellbeing aims to create a work environment where health, safety, and mental resilience underpin both individual performance and overall employee satisfaction, reaffirming our commitment to a safe and healthy workplace.

## Investing continuous learning and capability building

### Developing a Future-Ready Workforce

Commitment to cultivating a future-ready workforce remains unwavering. In 2025/26, we strengthened our emphasis on continuous learning and professional development to adapt to evolving industry demands and sustainability imperatives.

Our training programmes are driven by a comprehensive Training Needs Analysis (TNA), ensuring relevance and impact across technical, leadership, and behavioural competencies. This year, we expanded our learning initiatives to include a diverse array of internal and external programmes, such as sales certification, leadership development, credit evaluation, and digital literacy.

Notably, we introduced the Speech Craft Programme, designed to enhance employees' soft skills, communication, and presentation capabilities fostering more effective collaboration and stakeholder engagement. Recognising the importance of sustainability, we also launched targeted sustainability training modules aimed at deepening employees' understanding of environmentally responsible practices and organisational impact.

High-potential employees continued to be prioritised through the "High Flyers" talent acceleration programme, reflecting our ongoing investment in long-term career development.

These learning opportunities underpin our performance-driven culture, support our strategic sustainability goals, and empower our employees to thrive in a dynamic environment.







***Speech Craft Programme***

# STRENGTHENING GOVERNANCE FOR SUSTAINABLE AND RESPONSIBLE GROWTH

## Strengthening ESG integration across strategic decision-making

In the previous year, HNBF took a significant step forward in solidifying its commitment to sustainability and responsible business practices by introducing a Board-approved ESG Policy. This foundational framework has been instrumental in aligning the Company's strategic planning, operational execution, and risk management processes with environmental, social, and governance (ESG) considerations.

The adoption of the ESG Policy marks a substantial commitment to ethical conduct and stakeholder engagement. It outlines clear principles to guide the Company's actions, ensuring that all stakeholders are treated with respect and integrity. At its core, the policy serves as a guiding document for sustainable value creation across the organisation, fostering a culture of accountability and responsibility.

Moreover, the ESG Policy is designed to be dynamic and adaptable. It is reviewed periodically to ensure alignment with evolving regulatory requirements, international best practices, and stakeholder expectations. This proactive approach enables HNBF to stay ahead of the curve in areas such as environmental sustainability, social responsibility, and governance, ensuring that the Company remains a leader in its industry.

The implementation of the ESG Policy has been a crucial step in enhancing HNBF's governance and sustainability practices. By prioritising ESG considerations, the Company is better equipped to manage risks, seize opportunities, and drive long-term success. As HNBF continues to navigate the complexities of the business landscape, the ESG Policy will remain a cornerstone of its commitment to sustainability and responsible business practices.

# Sustainability and Responsible Value Creation

## Strengthening strategic oversight through board leadership

HNBF has continued to enhance its governance framework by taking deliberate steps to increase board diversity and bring in fresh perspectives. The Board of Directors remains a key pillar of the Company's strategic direction, comprised of individuals with extensive expertise, diverse backgrounds, and varied experiences that bolster decision-making and governance practices.

This year, the Company appointed a new director with specialised knowledge in Human Resources and Corporate Banking, underscoring its commitment to incorporating industry-specific insights into its leadership. The newly appointed director to the board was a female member which reinforcing its dedication to gender diversity and inclusive leadership. These appointments reflect HNBF's proactive approach to fostering a more dynamic and representative Board.

The Company's ongoing efforts to diversify its Board aim to improve effectiveness, promote innovative thinking, and align governance practices with evolving industry standards and stakeholder expectations. By embracing a broader range of perspectives and expertise, HNBF reaffirms its commitment to responsible leadership, sustainable growth, and creating long-term value for all stakeholders.

## Promoting integrity through ethical business practices

The Company has reinforced its dedication to maintaining the highest standards of business ethics through a robust framework of governance policies. Our comprehensive ethical guidelines continue to serve as a foundation for promoting integrity, transparency, and accountability across all levels of the organisation.

Key policies such as the Code of Conduct and Ethics, Anti-bribery and Corruption, and Anti-fraud remain integral to our operational ethos. These policies are actively implemented and continuously reviewed to ensure they meet the evolving ethical standards and regulatory requirements. They guide employee behaviour and decision-making, fostering a culture rooted in honesty and responsibility.

Furthermore, HNBF has strengthened its Whistleblower Policy this year, ensuring that employees and stakeholders have secure and confidential channels to report concerns or misconduct without fear of retaliation. This initiative underscores our unwavering commitment to creating an ethical workplace environment where integrity is prioritised and ethical issues are addressed promptly and transparently.

By steadfastly upholding these principles, HNBF aims to foster trust among its stakeholders, promote responsible business practices, and sustain long-term organisational excellence.

## Strengthening regulatory compliance and risk governance

In the current year, HNBF has further solidified its commitment to regulatory compliance and effective governance. Our adherence to Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations remains rigorous, reflecting our dedication to financial integrity and risk mitigation. Building on this foundation, we are actively advancing our capabilities through the integration of our core banking system, which will enhance automation and strengthen compliance processes.

Additionally, HNBF continues to evolve its governance practices by embedding Environmental, Social, and Governance (ESG) considerations into our strategic oversight. ESG factors have been incorporated into our Board-approved Integrated Risk Management Framework and Credit Risk Management policy, reinforcing our proactive approach to managing sustainability and societal impact alongside financial risks.

Through these initiatives, HNBF reaffirms its pledge to uphold the highest standards of regulatory adherence and responsible governance, ensuring resilience, transparency, and sustainable growth in an ever-changing business landscape.

## Enhancing organisational resilience through business continuity planning

This year, HNBF has further reinforced its commitment to ensuring uninterrupted operations through an enhanced Business Continuity Framework. Recognising the critical importance of resilience, we have maintained a comprehensive Business Continuity Plan (BCP) that delineates clear response protocols, recovery timelines, communication channels, and responsibility matrices. These elements are designed to safeguard our core functions during unforeseen events such as natural calamities, cyber-attacks, or operational failures.

In line with our proactive risk management approach, we conduct annual drills to evaluate and improve our preparedness. This year, beyond our standard BCP exercises, we conducted an additional Disaster Recovery (DR) drill focusing specifically on our Document Management System. This targeted simulation allowed us to validate our data recovery procedures, identify potential vulnerabilities, and enhance our response strategies for critical digital assets.

Through consistent updates, scenario-based testing, and cross-departmental engagement, our business continuity measures remain dynamic and aligned with both regulatory standards and international best practices. These initiatives underpin HNBF's commitment to operational resilience, stakeholder confidence, and swift recovery in the face of challenges.

## Data governance and cybersecurity

HNB Finance recognises the growing importance of data governance and cybersecurity within an increasingly digital and technology-driven financial services landscape. As the Company expands its digital operations and technology-driven customer engagement, safeguarding customer information, maintaining operational resilience, and strengthening cybersecurity remain key governance priorities.

In compliance with the Personal Data Protection Act, No. 9 of 2022, HNB Finance continued to strengthen internal controls and governance mechanisms supporting responsible data management across digital and physical platforms. This includes enhanced data handling protocols, access controls, encryption standards, and information security governance practices designed to protect the confidentiality, integrity, and availability of information assets.

The Company further strengthened its information security governance framework by aligning the Information Security Policies Manual with ISO/IEC 27001 standards and enhancing the Information Security Management System, while continuing to strengthen internal policies and procedures. Oversight of cybersecurity and information security governance is supported through a dedicated Information Security Committee operating under Board-approved governance structures.

During the year, HNB Finance enhanced its cybersecurity posture through strategic and operational initiatives. To support these efforts, the Company continued to invest in cybersecurity drills and simulation exercises to evaluate preparedness, strengthen incident response, and identify areas for improvement. These initiatives were backed by enhanced firewall infrastructure, Multi-Factor Authentication, advanced encryption, employee awareness programmes, and further enhancements to Data Loss Prevention controls, including Information Rights Management (IRM). Together, these measures support digital resilience, customer trust, operational continuity, and responsible data governance.

Furthermore, the Company has evaluated shifting from its existing SD-WAN environment towards a Secure Access Service Edge (SASE) architecture to strengthen network security, access governance, and digital resilience, aligning with a zero-trust security governance framework. It has also evaluated Security Operations Center (SOC) and Security Information and Event Management (SIEM) solutions to support proactive monitoring, incident detection, event correlation, and cybersecurity response.

## Driving accountability through transparent reporting

The Company has continued to prioritise transparency and accountability across all facets of its operations. We maintain disclosure standards, ensuring that our stakeholders are kept well-informed about our ESG initiatives, performance, and strategic direction through multiple channels. Internally, our Board's Strategic and Investment Review Committee reviews quarterly updates, enabling close oversight and informed decision-making.

Externally, we reaffirm our commitment to global best practices by adhering to the Global Reporting Initiative (GRI) standards in our annual sustainability disclosures. These reports articulate our key performance metrics, ongoing initiatives, and future sustainability goals. To bolster the credibility and accuracy of our environmental data, we partnered with specialised third-party experts to verify our carbon footprint and related environmental indicators.

Engagement with our communities and stakeholders remains a priority. We actively share updates via our website, social media platforms, traditional media outlets, and investor briefings, ensuring broad visibility of our sustainability efforts. Additionally, we organise educational campaigns and community-focused events to foster open dialogue, strengthen trust, and demonstrate our ongoing commitment to responsible business practices and stakeholder inclusiveness.

## Aligning governance with emerging sustainability regulations

HNB Finance continued to strengthen its sustainability governance approach in line with the evolving regulatory landscape governing sustainable finance, technology risk management, corporate governance, and data protection in Sri Lanka. The Company remained focused on aligning governance practices with applicable expectations, including the Technology Risk Management and Resilience Guidelines issued by the Central Bank of Sri Lanka, data protection requirements, and other relevant financial sector regulations.

These efforts reinforce HNB Finance's commitment to responsible governance standards, long-term business resilience, and sustainable value creation for all stakeholders.

## Sustainability and Responsible Value Creation

# Commitment to UN SDG

| UN SDG | HNBF contribution |
|---|---|
|  **Good Health and Well-being** | Employee health and safety initiatives; wellness and awareness programmes; workplace and fire safety training; gym and fitness support; employee engagement and wellbeing activities; safe and supportive working environment. |
|  **Quality Education** | Financial literacy programmes; community financial awareness initiatives; internship programmes; employee training and development; leadership and capability-building initiatives. |
|  **Gender Equality** | Women-focused microfinance support; female entrepreneurship financing; female workforce participation; gender-inclusive workplace policies; increasing female representation in management. |
|  **Affordable and Clean Energy** | Solar power generation; renewable energy utilisation; energy-efficient lending; responsible energy management practices. |
|  **Decent Work and Economic Growth** | Nationwide financial inclusion; SME and microfinance support; agriculture sector financing; employee engagement and wellbeing; ethical labour practices; training and career development. |
|  **Industry, Innovation and Infrastructure** | Workflow automation, online banking platform launch; digital financial services; technology infrastructure improvements; core banking integration; cybersecurity enhancements. |
|  **Reduced Inequalities** | 76-branch nationwide network; multilingual communication, regional portfolio diversification; rural and underserved community access; financial accessibility outside urban centres; inclusive lending practices. |
|  **Responsible Consumption and Production** | E-waste recycling; digitalisation initiatives, paper recycling; responsible energy and water management; sustainable operational practices; environmental awareness initiatives. |
|  **Climate Action** | GHG emissions assessment; carbon footprint awareness; solar energy initiatives; environmental sustainability integration; climate-related governance strengthening. |
|  **Peace, Justice and Strong Institutions** | ESG governance integration; anti-bribery and anti-fraud policies; whistleblower mechanisms; AML/KYC compliance; data privacy and cybersecurity; business continuity planning; transparent ESG reporting. |
|  **Partnerships for the Goals** | Partnership with reputed transport and sustainable mobility arm and responsible e-waste disposal vendors. |

## Value creation to capitals

| Capital | Sustainable value created |
|---|---|
|  **Financial Capital** | • Improves sustainable profitability through responsible growth<br>• Enhances investor and stakeholder confidence through ESG governance<br>• Supports long-term cost efficiency through renewable energy and resource management<br>• Strengthens portfolio quality through responsible lending and financial inclusion<br>• Reduces operational and regulatory risks through stronger governance and compliance practices |
|  **Intellectual Capital** | • Enhances organisational knowledge through learning and digital transformation<br>• Strengthens governance frameworks and ESG integration<br>• Improves cybersecurity awareness and information security management<br>• Encourages innovation through digital financial solutions and operational modernisation<br>• Builds capability through policy and risk management enhancements |
|  **Manufactured Capital** | • Strengthens digital banking and operational infrastructure<br>• Improves operational resilience through BCP and cybersecurity<br>• Supports energy efficient operations through solar initiatives<br>• Enhances customer accessibility through branch and digital platforms;<br>• Improves quality and efficiency of service delivery through system integration and process improvements. |
|  **Human Capital** | • Strengthens employee capabilities through training and development<br>• Enhances engagement, motivation, and productivity<br>• Promotes diversity, inclusion, and equal opportunity<br>• Supports health, safety, and wellbeing<br>• Develops future talent through internships and leadership initiatives |
|  **Social and Relationship Capital** | • Expands financial inclusion through branch accessibility and digital banking<br>• Strengthens community empowerment through financial literacy<br>• Supports women's economic participation<br>• Enhances customer trust through responsible lending and protection practices<br>• Strengthens stakeholder confidence through transparency, ethical conduct, and ESG reporting |
|  **Natural Capital** | • Supports environmental sustainability through GHG monitoring<br>• Reduces environmental footprint through solar generation<br>• Promotes responsible energy and water management<br>• Minimises waste through paper recycling and e-waste management<br>• Encourages climate awareness across operations |

## Strengthening our sustainability disclosure journey

### Progressively advancing towards enhanced climate-related reporting

HNB Finance recognizes the growing importance of sustainability-related disclosures and climate-related financial reporting within the evolving regulatory and stakeholder landscape. As the Company is in the process of aligning with SLFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures, it continues to strengthen sustainability governance, ESG integration, climate-related awareness, and risk management practices in preparation for future sustainability reporting expectations. The Company has commenced internal discussions relating to climate-related risks and opportunities, operational resilience, stakeholder expectations, and broader sustainability considerations that may influence long-term business performance and value creation.

HNB Finance remains committed to further strengthening sustainability disclosure readiness over time in line with evolving regulatory developments, industry practices, and the Company's long-term strategic direction towards responsible and sustainable growth.

# Sustainability and Responsible Value Creation

## Strengthening sustainability governance across the organisation

### Embedding ESG oversight within strategic decision-making

HNB Finance continues to strengthen its sustainability governance framework through structured oversight mechanisms established across Board, management, and operational levels. The Company recognises that effective sustainability governance is essential to supporting resilience, responsible conduct, stakeholder confidence, and sustainable value creation.

### Sustainability Governance Structure

A multi-layered governance framework supports ESG integration across strategy, risk management, operations, and reporting.

| 01 | 02 | 03 | 04 |
|---|---|---|---|
| **Board of Directors** | **Board Strategic and Investment Review Committee** | **Sustainability Management Committee** | **Sustainability Division** |
| ▸ Provides overall oversight of sustainability-related matters<br>▸ Approves strategic direction and long-term priorities<br>▸ Ensures alignment with stakeholder expectations and business objectives | ▸ Reviews sustainability-linked strategic initiatives and investments<br>▸ Monitors alignment with long-term value creation goals<br>▸ Supports strategic integration of ESG considerations | ▸ Translates Board direction into management action<br>▸ Coordinates ESG implementation across functions<br>▸ Monitors performance, targets, and reporting readiness | ▸ Drives day-to-day execution of sustainability initiatives<br>▸ Supports data collection, stakeholder engagement, and disclosures<br>▸ Promotes sustainability awareness and operational integration |

Together, this framework supports the integration of ESG considerations into strategic planning, risk management, operational decision-making, and sustainability reporting.

## Roles and responsibilities

### Board of Directors

The Board of Directors retains overall responsibility for sustainability governance and oversight. The Board provides strategic direction on ESG integration, sustainability governance, risk oversight, and long-term value creation while ensuring alignment with the Company's strategic objectives and stakeholder expectations.

### Board Strategic and Investment Review Committee

The Board Strategic and Investment Review Committee plays a central role in embedding sustainability within HNBF's strategic framework. The Committee provides oversight and strategic guidance on ESG integration, climate-related risks and opportunities, sustainability policies, governance procedures, disclosure practices, and relevant ESG metrics. It also reviews emerging sustainability trends, regulatory expectations, and quarterly sustainability updates, enabling the Company to monitor progress and make strategic adjustments that strengthen ESG integration across the business.

### Sustainability Management Committee

The Sustainability Management Committee supports the implementation and coordination of sustainability initiatives across the organisation. It facilitates management-level discussion on ESG integration, sustainability performance monitoring, climate-related considerations, stakeholder engagement, and reporting readiness.

### Sustainability Division

The Sustainability Division coordinates the implementation of sustainability initiatives, ESG data collection, stakeholder reporting, and awareness activities. It supports the preparation of sustainability disclosures, monitors ESG initiatives, and facilitates communication between operational units, management committees, and governance bodies.

## Skills and competencies

### Strengthening sustainability knowledge and organisational readiness

Recognising the growing importance of ESG integration and sustainability disclosures, HNB Finance continued to strengthen internal sustainability knowledge and competencies during the year. Training and awareness programmes on sustainability, ESG governance, climate-related developments, and disclosure requirements were provided to relevant personnel involved in sustainability governance and reporting. The Company remains committed to progressively strengthening sustainability-related capabilities as part of its long-term objective of embedding sustainability more comprehensively across the organisation.

## Sustainability oversight and reporting

### Strengthening continuous ESG monitoring and strategic review

The Board Strategic and Investment Review Committee continued to oversee sustainability-related matters on a quarterly basis. Sustainability updates, ESG initiatives, governance developments, and emerging sustainability considerations were reported periodically to support continuous oversight and strategic monitoring. This reporting mechanism strengthens visibility, enables timely governance discussions, and supports the Company's commitment to transparency and resilience.

## Internal controls

### Strengthening sustainability governance through policy integration

HNB Finance continued to strengthen internal ESG governance and control mechanisms supporting sustainability policy integration. The Board-approved ESG Policy provides the overarching framework for sustainability governance, responsible business conduct, stakeholder engagement, and ESG integration practices. ESG considerations have also been progressively incorporated into the Company's Integrated Risk Management framework to support identification, assessment, monitoring, and management of sustainability-related risks and opportunities.

## Enhancing strategic resilience through sustainability integration

### Understanding emerging climate-related risks and opportunities

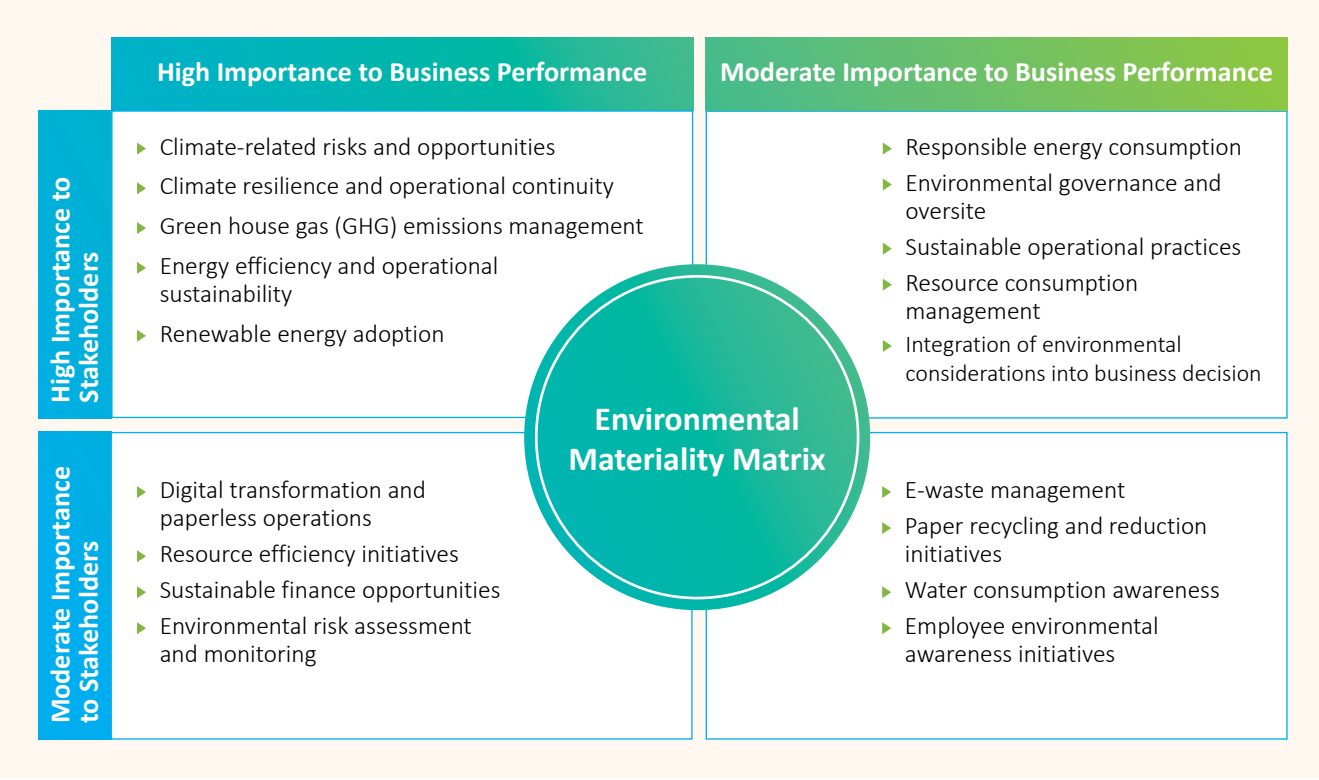
HNB Finance recognises the growing importance of climate-related risks and opportunities within the evolving sustainability and financial reporting landscape. The Company is progressively strengthening its approach to identifying, assessing, and integrating climate-related risks and opportunities into the broader risk management and sustainability framework.

As HNB Finance progresses towards alignment with SLFRS S2, the Company has begun identifying preliminary climate-related risk categories that may affect the financial services sector over time. In response, HNBF continues to strengthen governance-level discussions, internal awareness, and evaluation of climate-related risks and opportunities, supporting a more structured approach to future climate disclosure, resilience planning, and sustainability-linked decision-making.

Building on this strategic focus, HNBF is committed to enhancing its understanding of environmental priorities through practical tools and frameworks. The Environmental Materiality Matrix serves as a vital component of this effort, providing a dynamic and comprehensive assessment of environmental issues that are most significant to the company and its stakeholders. This evolving matrix not only supports more informed governance and decision-making but also ensures that HNBF remains proactive in integrating sustainability considerations into its overall risk management and disclosure processes.

## Environmental materiality matrix

The Environmental Materiality Matrix is a continuously evolving assessment tool that helps HNBF strengthen climate-related governance, environmental awareness, sustainability integration and readiness for future disclosure expectations.




HNBF's Environmental Materiality Matrix serves as a strategic framework for identifying and prioritising environmental topics that are most significant to the Company and its stakeholders. The assessment evaluates environmental issues based on their importance to stakeholders and their influence on business performance, resilience, and long-term value creation. The matrix identifies climate-related risks and opportunities, climate resilience, GHG emissions awareness, energy efficiency, responsible resource consumption, environmental governance, and sustainability integration as key areas of focus. These priorities inform the Company's environmental management approach, support risk-informed decision-making, and guide initiatives aimed at enhancing operational sustainability and environmental stewardship. The materiality assessment will continue to evolve in line with changing stakeholder expectations, regulatory developments, and emerging sustainability considerations.

## Target focus areas and environmental monitoring metrics

### Progressively strengthening climate-related measurement and environmental monitoring

HNB Finance recognises the growing importance of climate-related metrics and sustainability performance monitoring within the evolving environmental and regulatory landscape. The Company has commenced the progressive development of climate-related measurement and environmental monitoring practices as part of its broader sustainability journey.

During the financial year, the Company assessed Scope 1 and Scope 2 greenhouse gas emissions relating to operational activities to improve awareness of its environmental footprint and support future reporting readiness. This initiative represents an important step towards strengthening environmental data management, operational monitoring, and climate-related governance practices across the organisation.

In addition to GHG assessment, HNB Finance continues to monitor environmental indicators such as energy consumption, renewable energy generation, resource utilisation, waste management, and paper reduction initiatives. These metrics support the Company's objective of improving operational efficiency, strengthening environmental awareness, and progressively enhancing sustainability disclosures.

## GHG Carbon emission

In line with its commitment to strengthening environmental sustainability disclosures, HNBF conducted its greenhouse gas (GHG) emission assessment in accordance with the GHG Protocol, ensuring a structured and internationally recognised approach to measuring and monitoring operational carbon emissions. Greenhouse gas emissions generated through HNB Finance's operational activities primarily relate to carbon dioxide emissions from fuel consumption associated with generators and Company-operated vehicles under Scope 1, together with indirect emissions from purchased electricity under Scope 2. As a financial services institution operating mainly through offices and branches, the Company's activities are not materially associated with significant industrial air pollutant emissions or manufacturing-related atmospheric releases.

Emissions relating to pollutants such as sulphur oxides, nitrogen oxides, particulate matter, ozone-depleting substances, and other industrial process emissions are currently considered immaterial to HNB Finance's operational profile due to the non-industrial nature of its business. Nevertheless, the Company continues to strengthen environmental monitoring and climate-related awareness as part of its sustainability and operational resilience journey.

## Climate-Related Metrics and Environmental Indicators

| Environmental Metric | FY2025/26 |
|---|---|
| Scope 1 GHG Emissions | 14.14 $tCO_2e$ |
| Scope 2 GHG Emissions | 1,083.72 $tCO_2e$ |
| Total GHG Emissions (Scope 1 and 2) | 1,096,86 $tCO_2e$ |
| Electricity Consumption | 2,509,467 units |
| Solar Power Generation | 21,631 units |
| Water Consumption | 21,052 units |
| A4 Paper Consumption | 5,350,250 sheets |
| E-Waste Generated | 657kg |

## Future priorities

### Advancing sustainability integration for long-term resilience and responsible growth

HNB Finance remains committed to progressively strengthening sustainability integration across governance, strategy, risk management, and operational practices as part of its long-term business resilience and value creation journey. Recognising the evolving importance of ESG considerations within the financial services sector, the Company will continue enhancing sustainability governance, climate-related awareness, operational monitoring capabilities, and stakeholder engagement mechanisms.

The Company aims to further integrate ESG considerations into strategic planning, Integrated risk management, operational decision-making, and sustainability reporting. It also intends to enhance climate-related governance discussions, environmental data collection, and internal sustainability monitoring in line with evolving regulatory expectations and industry developments.

Future initiatives are expected to focus on operational efficiency, renewable energy utilisation, digital transformation, responsible resource management, and climate-related awareness. HNB Finance also intends to strengthen internal capabilities relating to ESG reporting readiness and climate-related risk and opportunity assessment as part of its broader sustainability maturity journey.

The Company recognises the increasing importance of transparent sustainability disclosures and will progressively strengthen reporting practices, environmental monitoring metrics, and governance oversight mechanisms. Through these efforts, HNB Finance aspires to build a more resilient, responsible, and future-ready organisation capable of adapting to evolving sustainability expectations while creating sustainable long-term value for customers, employees, investors, communities, and other stakeholders.



# Management Discussion and Analysis

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# Business Review

This year was a year of strategic repositioning for HNB Finance PLC, as the Company continued to strengthen the quality, resilience, and sustainability of its business portfolio. The year's performance was shaped by a deliberate shift towards secured lending, disciplined funding mobilisation, improved recovery performance, and customer-centric product development. This approach supported the Company's wider transformation agenda, balancing growth with risk discipline, liquidity resilience, and long-term stakeholder confidence.

The Company's business model continued to evolve in response to changing customer behaviour, interest rate movements, regulatory expectations, and competitive market conditions. Product strategies were therefore guided by affordability, asset quality, risk-adjusted returns, and long-term relationship value. Gold loan, leasing, land and housing financial solutions, fixed deposits, savings mobilisation, and recovery initiatives played particularly important roles in strengthening portfolio stability and balance sheet resilience during the year.

## Strategising for transformation

HNBF's business transformation during the year was anchored in a clear strategic objective: to build a more secure, resilient, and sustainable financial institution. Rather than pursuing growth across all segments equally, the Company prioritised areas that supported balance sheet strength, liquidity, asset quality, customer retention, and operational efficiency.

This strategic direction was reflected in the expansion of secured lending products such as gold loans, leasing, and land and housing financial solutions, while more cautious management was applied to higher-risk or collection-sensitive portfolios. At the same time, the Company strengthened its funding base through retail and branch-led deposit mobilisation, particularly in medium- to long-term fixed deposits, and improved customer engagement through savings mobilisation and digital access.

Operationally, the year also saw a stronger emphasis on data-led monitoring, recovery discipline, digital communication, customer-centric repayment support, and structured performance oversight. These initiatives helped HNBF strengthen its ability to respond to market conditions while protecting long-term value.



## Business transformation priorities in action

| Strategic Focus | Business Response |
|---|---|
| Secured portfolio growth | Expanded gold loans, leasing, and land and housing financial solutions |
| Funding stability | Strengthened fixed deposit base and savings mobilisation |
| Portfolio quality | Curtailed higher-risk unsecured lending and intensified recovery efforts |
| Customer accessibility | Improved product relevance, digital engagement, and relationship-based service |
| Operational discipline | Strengthened monitoring, recovery governance, and data-led decision-making |

## Our product portfolio

| Lending | | | Funding | |
|---|---|---|---|---|
| HNB FINANCE Leasing | HNB FINANCE Gold Loan | HNB FINANCE Housing Loan | HNB FINANCE Savings | HNB FINANCE Yalu |
| HNB FINANCE Gold Plan | HNB FINANCE Auto Loan | HNB FINANCE Business Loans | HNB FINANCE General Savings | HNB FINANCE Fixed Deposits |
| HNB FINANCE VIP - Gold Loan | HNB FINANCE Micro Loan | HNB FINANCE Micro Leasing | HNB FINANCE Miyulasi | |



# Leasing

Leasing remained a key growth driver for HNBF during FY 2025/26, supported by renewed momentum in the vehicle financing market, improving customer confidence, and the gradual easing of vehicle import restrictions. Demand strengthened across individual and SME segments as customers sought flexible financing solutions for mobility, business assets, and income-generating vehicles.

The gross leasing portfolio demonstrated remarkable growth during the year, increasing from LKR 26.4 Bn. to LKR 52.1 Bn., reflecting a strong growth rate of 98%. At the close of the financial year, leasing assets accounted for 63% of the total lending portfolio, underscoring the segment's significant contribution to the Company's lending activities. This positioned leasing as an important contributor to HNBF's strategic shift towards secured and asset-backed lending, enabling the Company to support customer asset acquisition while strengthening portfolio resilience and risk-calibrated growth.

## Market challenges

Despite the positive industry outlook, the leasing market remained highly competitive, with both banks and finance companies actively pursuing growth opportunities in vehicle financing. This increased pricing pressure and required stronger customer engagement, faster turnaround times, and differentiated product offerings.

Affordability also remained a key challenge, particularly due to elevated vehicle prices, especially for new vehicles. As a result, demand increased for micro leasing and pre-owned vehicle financing solutions, where customers sought more accessible options suited to their repayment capacity. Regulatory changes relating to Loan-to-Value requirements also influenced product structuring, underwriting decisions, and customer affordability assessments.

## Strategic response

HNBF capitalised on the expanding leasing market by proactively strengthening its product portfolio, customer value proposition, and business development efforts. The Company introduced tailored leasing solutions and new product offerings to address evolving customer needs and emerging market opportunities, including financing solutions for electric and fuel-efficient vehicles.

Operational improvements also supported portfolio growth, with streamlined internal processes, and enhanced digital onboarding enabling faster turnaround times, greater convenience, and an improved customer experience. Targeted promotional campaigns, agile marketing teams, cross-selling to existing customers, stronger dealer partnerships, and HNBF's branch-led relationship model further expanded market reach and strengthened customer acquisition.

## Opportunities for growth

The leasing sector offers continued growth potential as customer demand for mobility and productive asset financing improves. HNBF is well positioned to capture these opportunities through its agile and experienced marketing teams, focused cross-selling to existing customers, and stronger dealer and partnership networks. Emerging demand for electric vehicles and fuel-efficient vehicles also presents an opportunity to expand sustainable mobility financing while supporting portfolio growth in line with changing market preferences.

## Future priorities

The outlook for leasing remains positive, supported by improving market confidence, renewed vehicle financing demand, and opportunities in emerging mobility segments. However, the sector is expected to remain challenging due to rupee depreciation, elevated global vehicle prices, and affordability pressures, particularly in the new vehicle market.

Against this backdrop, HNBF will continue to grow leasing as a core secured lending product while maintaining a disciplined and selective approach. The Company will focus on digital onboarding, faster turnaround times, stronger dealer partnerships, affordability-based product structuring, electric and fuel-efficient vehicle financing, and prudent portfolio growth to capture opportunities while managing market and credit risks effectively.

## Gold Loans

Gold loans remained one of HNBF's most important secured lending products during FY2025/26, supporting customers with short-term liquidity while strengthening the Company's secured portfolio mix. The gross gold loan portfolio demonstrated impressive growth during the year, increasing the portfolio from LKR 8.9 Bn. to LKR 16.1 Bn., reflecting a strong growth rate of 80%. At the close of the financial year, gold loans accounted for 19% of the total lending portfolio, underscoring the segment's contribution to portfolio resilience, liquidity generation, and risk-calibrated growth.

### Market challenges

Gold prices remained volatile due to global economic uncertainty, inflationary pressures, geopolitical tensions, and currency movements. In Sri Lanka, gold price volatility was further influenced by rupee depreciation and rising global gold prices. While higher gold values increased borrowing capacity for customers, it also required careful management of collateral values, auction risk, and LTV thresholds.

At the same time, strong competition across financial institutions increased the need for disciplined pricing, responsive service, and prudent risk controls.

### Strategic response

HNBF positioned gold loans as a stable, low-risk, and liquidity-supportive product, supported by the Company's extensive branch network and agile team capabilities. The branch network enabled HNBF to remain close to customers across regional markets, while responsive frontline teams helped capture rising demand for short-term liquidity solutions with speed and convenience.

The Company maintained a risk-balanced approach by closely managing LTV settings, loan tenure, and recovery mechanisms. This enabled HNBF to benefit from increased customer demand without compromising collateral discipline or portfolio quality. Gold loans also contributed positively to liquidity management, with majority of the portfolio consisting of short-term loans, creating faster turnover and supporting both customer liquidity and the Company's balance sheet agility.

### Opportunities for growth

Gold loans remain well-positioned for growth as customers increasingly seek quick and secured, liquidity solutions in periods of inflation and cost-of-living pressure. The product also offers opportunities for deeper customer engagement, cross-selling, and branch-level growth, particularly in markets where customers prefer short-tenure financial solutions without disposing of their gold assets.

### Future priorities

Going forward, gold loans will continue to be positioned as a core secured lending product that supports liquidity, portfolio resilience, and customer convenience. HNBF will continue to manage growth through disciplined LTV monitoring, efficient turnaround times, branch-level service quality, and risk-balanced product structuring.

## Microfinance

Microfinance remained an important part of HNBF's inclusive finance proposition, particularly in serving customers in rural and semi-urban markets. However, during FY2025/26, the Company adopted a more cautious and selective approach to this segment due to collection challenges, asset quality concerns, and the need to strengthen portfolio discipline. Total gross Micro Finance exposure stood at LKR 5.5 Bn., with the agriculture sector identified as the main contributor to segment activity.

### Market challenges

The microfinance segment continued to face pressure from repayment stress, collection challenges, and NPL-related concerns. These challenges were particularly relevant in regions and customer segments exposed to income volatility and economic uncertainty. As a result, HNBF curtailed micro lending across the branch network, with particular slowdown in the Northern and Eastern regions, until collection ratios and NPL levels could be stabilised.

### Strategic response

HNBF's response was centred on risk containment, portfolio quality improvement, and a more selective approach to microfinance lending. Micro lending was deliberately moderated to allow the Company to focus on collections, reduce risk accumulation, and strengthen overall asset quality, in line with its broader shift towards secured and risk-calibrated growth.

The Company adopted a risk-focused lending approach by prioritising high-value microfinance customers with proven repayment track records. This supported better recovery prospects, reduced default risk, and improved portfolio performance. In parallel, HNBF consistently maintained and promoted its secured micro product during the year, enabling the Company to continue serving the microfinance customer base while strengthening collateral coverage, enhancing risk mitigation, and reinforcing customer trust.

### Opportunities for growth

The implementation of the new Micro Finance Regulatory Act is expected to create a more structured and regulated operating environment for the sector. This may support improved customer protection, stronger market discipline, and better long-term prospects for regulated institutions such as HNBF.

Over time, opportunities may emerge for more responsible microfinance growth, particularly where lending can be supported by improved regulatory clarity, better customer screening, stronger repayment behaviour, and secured or semi-secured structures.

### Future priorities

HNBF will continue to manage the microfinance segment cautiously, prioritising collections, portfolio quality, and customer affordability over aggressive growth. Future expansion will be guided by regulatory developments, risk appetite, collection performance, and the Company's broader secured lending strategy. A key focus will be on strengthening the "micro secured product" to continue serving the microfinance customer base while improving collateral coverage, mitigating risk, and supporting more sustainable portfolio growth.

## Land and Housing Financial Solutions

Land and Housing Financial Solutions recorded exceptional growth during FY2025/26, reflecting strong market acceptance, effective execution, and increased customer confidence in secured, long-tenure financing. The gross portfolio increased from LKR 1.9 Bn to LKR 5.6 Bn., reflecting a strong growth rate of 187%. At the close of the financial year, Land and Housing Financial Solutions accounted for 7% of the total lending portfolio, underscoring its growing contribution to HNBF's secured lending strategy, portfolio diversification, and long-term balance sheet resilience.

### Market challenges

Although the segment performed strongly, the product operates in a market influenced by interest rates, property affordability, developer confidence, customer repayment capacity, and long-term economic conditions. The segment also carries comparatively lower yields due to its secured and lower-risk profile, particularly where tripartite agreements involving the Company, developers, and customers result in more moderate pricing.

### Strategic response

HNBF strengthened Land and Housing Financial Solutions as part of its secured lending and portfolio diversification strategy. The segment is supported by tangible collateral, disciplined underwriting, developer partnerships, and customer demand for long-term asset creation.

During the year, the Company leveraged its relationship with Prime Lands to expand market access, strengthen customer acquisition, and grow the product segment. HNBF also introduced new product offerings to cater to different customer segments, enabling more flexible access to land and housing-related finance while supporting secured portfolio growth and long-term balance sheet resilience.

### Opportunities for growth

Given the prevailing low interest rates in the market, customers and investors are increasingly favoring land and housing financial solutions. This trend presents a significant growth opportunity within this segment, highlighting its strategic importance for future expansion.

### Future priorities

The outlook for Land and Housing Financial Solutions remains positive, supported by market demand for secured, long-tenure financing, developer partnerships, and customer interest in property-backed investments. As the portfolio matures, the segment is expected to contribute further to portfolio stability, risk diversification, capital efficiency, and long-term balance sheet resilience.

## Fixed Deposits

Fixed deposits remained the foundation of HNBF's funding strategy during FY 2025/26, providing balance sheet stability, liquidity resilience, and depositor confidence.

The portfolio recorded strong growth, increasing from LKR 39.6 Bn. as at March 2025 to LKR 66.1 Bn. by March 2026, representing growth of 67%. This was driven by aggressive deposit mobilisation, high renewal ratios through most of the year, and stronger customer relationships across retail and corporate segments.

### Market challenges

The fixed deposit market remained highly competitive during the year, with banks and financial companies actively competing for depositor funds. Interest rate movements continued to influence depositor preferences, renewal behaviour, and funding costs. With interest rates remaining relatively low for much of the year, customers increasingly explored alternative investment options, requiring HNBF to maintain a careful balance between competitive pricing, depositor retention, and funding cost discipline.

### Strategic response

The Company maintained a well-diversified maturity profile, with a strong concentration in medium- to long-term tenors to support funding stability and better align with the longer-tenor leasing portfolio. HNBF also focused on retail and branch-led deposit mobilisation to broaden its funding base, strengthen depositor relationships, and contain rate pressure in a competitive market.

The strength and credibility of the HNB brand further supported deposit mobilisation by reinforcing customer confidence, trust, and retention. Through this approach, HNBF continued to balance funding growth with cost discipline, liquidity resilience, and long-term asset-liability alignment.

### Opportunities for growth

Retail deposit mobilisation remains a key opportunity for HNBF, particularly through smaller-ticket deposits, underserved market segments, branch-led relationship building, and diversified funding sources. By strengthening the retail franchise, the Company can reduce concentration risk and build a more resilient liability base.

### Future priorities

The fixed deposit strategy for FY 2026/27 will focus on expanding the retail deposit portfolio, maintaining disciplined pricing, strengthening depositor relationships, and supporting prudent asset-liability management. The Company will continue to balance funding cost discipline with liquidity resilience and long-term funding stability.

## Savings

Savings mobilisation continued to support HNBF's strategy to strengthen low-cost funding, deepen customer relationships, and improve transactional engagement. During FY 2025/26, the savings base increased by 8%, reaching LKR 2.8 Bn by the end of the financial year. Growth was driven by retail households, SMEs and business clients, digitally active customers, fixed deposit holders, minors, and leasing dealers, reflecting the role of savings in supporting both funding diversification and stronger customer connectivity.

### Market challenges

The savings market is increasingly shaped by digital expectations, convenience, interest rate sensitivity, and competition from banks, finance companies, and digital-first platforms. Customers now expect simple, accessible, and anytime banking solutions. Limitations in digital platforms can lead to reduced customer satisfaction, higher branch workload, and potential customer migration to competitors.

Savings balances are also more sensitive to customer behaviour and market conditions, with potential for faster outflows when customers respond to better rates or more convenient digital options.

### Strategic response

The Company focused on deepening existing customer relationships rather than only pursuing new accounts. This included cross-selling savings accounts to loan and leasing customers, converting dormant or low-balance accounts into active relationships, and introducing relationship-based incentives rather than relying mainly on high interest rates.

HNBF also leveraged the strength and credibility of the HNB brand to build depositor confidence, supported by improved service quality and relationship-led engagement across branches. The introduction of mobile and internet banking further enhanced customer convenience and encouraged more active account usage, while innovative products such as Power Saver helped strengthen savings mobilisation and deepen long-term customer relationships.

### Opportunities for growth

Digital banking presents a significant opportunity to strengthen savings mobilisation. Enhanced mobile banking, QR payments, standing orders, bill payments, debit card usage, fast digital onboarding, and a seamless mobile banking experience can increase account usage, improve balance retention, and strengthen customer loyalty.

Digital engagement can also support disciplined savings behaviour by making deposits more frequent, convenient, and accessible.

### Future priorities

HNBF's future savings strategy will focus on building active transactional relationships, expanding low-cost funding, improving digital banking adoption, and encouraging customers to retain balances for daily use. The Company will continue to strengthen savings mobilisation through customer segmentation, relationship-led acquisition, and improved digital convenience.

## Recovery

Recovery remained a strategic priority during FY 2025/26, supporting portfolio quality, impairment management, financial stability, and customer relationship preservation. The recovery function is structured as a dedicated department responsible for managing delinquent and non-performing facilities across product categories and geographic zones. Business loans and leasing recoveries are managed through four zones, while microfinance recoveries are managed across five zones, enabling targeted and region-specific recovery strategies.

Throughout the year, HNBF achieved a substantial improvement in its Stage 3 ratio, which decreased by 7%, driven by comprehensive and strategic recovery initiatives. These included targeted collection strategies, enhanced risk management practices, close portfolio monitoring, and focused follow-up on delinquent accounts. This disciplined recovery approach strengthened asset quality, supported impairment management, and reinforced the Company's broader objective of maintaining a resilient and sustainable lending portfolio.

### Market challenges

Recovery activities were influenced by customer affordability pressures, legacy portfolio stress, regulatory classification changes, and higher collection intensity required across certain customer segments. Microfinance and business loans remained comparatively stressed, with higher NPL ratios than secured portfolios such as leasing and gold loans.

The Recovery Division also had to balance intensive recovery action with customer fairness, ethical conduct, reputational risk management, and regulatory expectations.

### Strategic response

HNBF adopted a structured and proactive recovery framework focused on early identification, timely intervention, strict follow-up, and data-led monitoring. Recovery operations were supported by specialised teams, including a Write-Off Collection Team and a Legal Recovery Team. The Legal Recovery Team, supported by three zonal heads, focused on litigation, collateral realisation, and complex high-risk cases requiring legal action.

The Company also focused on high-value recoveries by targeting the top 30 high-value clients through special follow-up campaigns. Dedicated zonal recovery structures, microfinance recovery oversight, daily collection reviews, twice-weekly recovery meetings, monthly reviews with the Managing Director, and Board Recovery Committee meetings strengthened accountability and performance monitoring.

### Customer-centric recovery

HNBF's recovery approach balanced credit loss minimisation with responsible customer treatment. Vulnerable customer segments were offered structured repayment plans where feasible, including in cases where legal action had been initiated. The Company also used restructuring options, flexible repayment plans, negotiated settlements, and respectful customer engagement to support customers facing financial difficulties.

No customer complaints were recorded in relation to recovery practices during FY 2025/26, reflecting the Company's commitment to ethical, professional, and customer-centric recovery processes.

## Technology and communication

Technology strengthened recovery monitoring, prioritisation, and responsiveness during the year. Performance dashboards provided visibility over collection rates, arrears ageing, write-off recoveries, legal cases, and team performance. Microsoft Forms were used to track field visits, follow-ups, and recovery progress, helping direct resources towards high-risk and high-value accounts.

Digital communication channels, including calls, SMS, and WhatsApp, improved repayment responsiveness by enabling timely reminders, personalised engagement, and convenient follow-ups. Analytics were used to identify high-risk recovery accounts based on repayment patterns, customer behaviour, loan characteristics, and delinquency trends.

## Future priorities

Recovery priorities for FY 2026/27 will focus on reducing NPLs, maximising recoveries from written-off and legal-action accounts, strengthening customer engagement, and leveraging analytics and MIS insights. HNBF will continue to balance effective recoveries with responsible treatment of customers, ensuring that recovery actions support portfolio quality, reputation, financial stability, and long-term customer relationships.

## About business review

FY 2025/26 marked a year of disciplined business transformation for HNBF across lending, deposits, savings, and recovery. The Company focused on strengthening secured growth, improving funding resilience, enhancing customer relevance, and protecting portfolio quality. Gold loans and leasing supported the strategic shift towards secured lending, while fixed deposits and savings strengthened the funding base. Recovery efforts delivered measurable improvements in Stage 3 exposures and collection discipline, supporting asset quality and profitability.

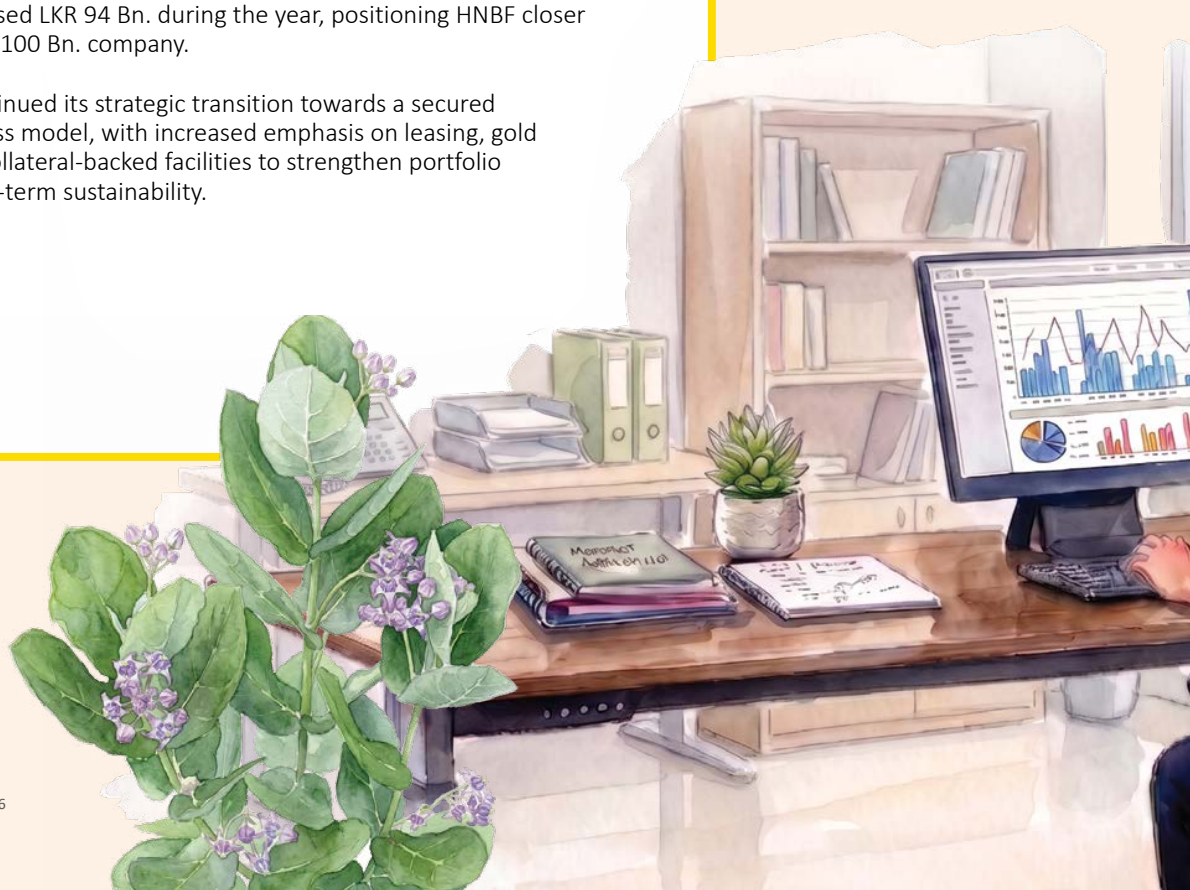
As HNBF moves into the next financial year, the Company will continue to pursue growth that is responsible, risk-calibrated, and sustainable. The focus will remain on deepening customer relationships, expanding secured lending, strengthening retail funding, improving digital engagement, and maintaining disciplined recovery practices. Through this approach, HNBF is well positioned to build a stronger, more resilient, and more customer-focused financial institution.

# Financial Capital

**The financial year 2025/26 marked a defining phase in HNB Finance PLC's transformation journey, as the Company's strategic focus on portfolio quality, profitability, and sustainable growth culminated in its strongest financial performance to date. Building on the transformational momentum established in 2024/25, HNBF continued to strengthen its profitability, funding resilience, portfolio quality, and capital position amidst an improving yet evolving operating environment.**

## HIGHLIGHTS

- Profit After Tax (PAT) increased by 120% to LKR 1,681 Mn., reflecting the Company's strongest financial performance.
- The lending portfolio expanded by 70% to LKR 76.3 Bn. driven by focused portfolio diversification and strengthened credit delivery capabilities.
- Total assets surpassed LKR 94 Bn. during the year, positioning HNBF closer to becoming a LKR 100 Bn. company.
- The Company continued its strategic transition towards a secured lending-led business model, with increased emphasis on leasing, gold loans, and other collateral-backed facilities to strengthen portfolio resilience and long-term sustainability.



## Management approach

HNBF manages Financial Capital through a disciplined framework focused on profitability, portfolio quality, liquidity management, capital adequacy, and sustainable balance sheet growth. The Company's financial management strategy is designed to ensure that growth is supported by strong governance, prudent risk management and funding stability.

The Company continued to strengthen its financial position during FY 2025/26 through: expansion of secured lending segments, enhancement of deposit mobilisation capabilities, prudent credit risk management, strengthened recovery mechanisms, proactive liquidity management, and continuous monitoring of capital adequacy requirements.

Financial Capital management is closely integrated with the Company's broader strategic direction, enabling HNBF to pursue growth opportunities while preserving financial resilience and maintaining stakeholder confidence.

## Analysis of the Financial Capital influence on other capitals

**INTELLECTUAL CAPITAL**

Training, leadership development, succession planning, coaching and cross-functional collaboration strengthened the Company's internal knowledge base.

**MANUFACTURED CAPITAL**

Employees enabled the effective use of HNBF's branch network, LOS, Core Banking readiness and operational infrastructure.

**HUMAN CAPITAL**

Supported financial resilience by strengthening execution discipline and branch productivity.

**SOCIAL AND RELATIONSHIP CAPITAL**

Engaged and capable employees strengthened customer relationships through responsive service, responsible lending, complaint handling, financial literacy, and community engagement.

**NATURAL CAPITAL**

Employees contributed to Natural Capital by supporting responsible resource use, reduced paper consumption initiatives, and sustainability awareness.



## Stakeholder impact

- Employees
- Business Partners
- Shareholders
- Customers
- Regulators
- Community and Environment

## Commitment to SDGs

# Financial Capital

## Value creation within the Company

HNBF's Financial Capital creates value by enabling the Company to expand lending activities, strengthen earnings generation, and support long-term business sustainability. The Company's growing deposit base, improved profitability provide the financial flexibility required to support portfolio expansion, operational improvements, and future strategic investments.

The strategic transition toward secured lending has significantly strengthened the quality and resilience of the Company's financial assets. Increased exposure to leasing, gold loans, and asset-backed lending has supported portfolio recoverability, reduced long-term credit vulnerability, and improved earnings stability.

During FY 2025/26, Financial Capital also contributed to:

- Stronger operational scalability,
- Enhanced funding resilience,
- Improved shareholder returns,
- Greater capacity to absorb market volatilities.

At the same time, HNBF recognises that rapid balance sheet expansion requires careful management of liquidity, capital, impairment provisioning, and operational capacity. Accordingly, the Company continued to maintain prudent provisioning levels, disciplined cost management practices, and close oversight of asset quality and liquidity risks.

## Key Financial Value Drivers

### Performance Drivers: Income Statement

Measures that reflect the Company's operational efficiency, profitability, and earnings strength over the reporting period

- Net Interest Income (NII)
- Non-Interest Income
- Operating Expenses
- Impairment Charges
- Profit After Tax

### Position Drivers: Statement of Financial Position

Indicators of the Company's financial strength, funding stability, and capacity to support future growth

- Loans and Advances
- Due to customers
- Debt issued and other borrowed funds
- Equity

## Summary of KPIs

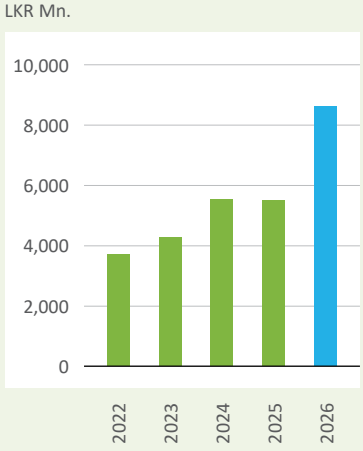
| Indicator | FY 2025/26 | FY 2024/25 |
|---|---|---|
| Shareholders' Funds (LKR Mn.) | 9,256 | 7,587 |
| Customer Deposits (LKR Mn.) | 68,927 | 42,218 |
| Risk Weighted Capital Ratios (%) | | |
| – Tier I | 9.61 | 11.38 |
| – Total Capital | 13.07 | 14.44 |
| Return on Assets (%) | 2.20 | 1.37 |
| Return on Equity (%) | 19.96 | 11.54 |
| Earnings per Share (LKR) | 0.81 | 0.43 |

## Net interest income

The Company recorded a total gross income of LKR 18.5 Bn. during FY 2025/26. Net Interest Income (NII) stood at LKR 8.6 Bn., reflecting a substantial improvement of 57% compared to the previous financial year. This performance was primarily supported by strong portfolio expansion, improved lending deployment, and the continued shift toward higher-yielding secured lending products.

The Company's interest expense increased by 26% to LKR 6.3 Bn. during the year, largely reflecting the significant growth in the deposit base and funding requirements associated with accelerated portfolio expansion.

### Net interest income

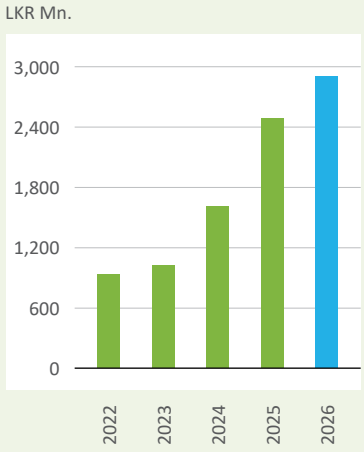



## Non-interest income

HNBF recorded continued growth in non-interest income during FY 2025/26, supported by expanded lending and operational activities. Non-interest income increased by 17% during the year and represented approximately 16% of total gross income.

The Company generated LKR 2.9 Bn. in non-interest income, comprising net fee and commission income of LKR 819 Mn. and other operating income amounting to LKR 2.08 Bn.

### Non-interest income



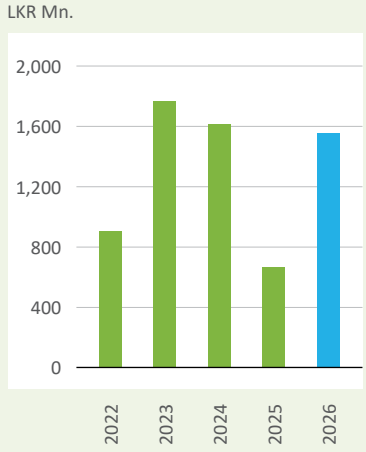

## Impairment charge

The Company continues to maintain adequate impairment provisions across its exposure portfolio, ensuring alignment with both prevailing and anticipated credit risk conditions.

During the year under review, the Company undertook significant measures to strengthen asset quality through proactive credit risk management initiatives and portfolio rationalisation strategies. As part of the Company's strategic transition towards a more secured portfolio-focused business model and gradual reduction of its unsecured portfolio exposure, additional impairment provisions were recognised on the unsecured portfolio, considering the inherent credit risks associated with such exposures and the ongoing efforts to strengthen the quality of the loan book. Further, in response to the adverse macroeconomic conditions experienced during the last quarter of the financial year, the Company prudently enhanced impairment provisioning to mitigate potential risks arising from sudden economic shocks and uncertainties. Consequently, the total impairment charge for the year increased to LKR 1,550 Mn.

Looking ahead, the Company remains committed to further strengthening its recovery framework through enhanced collection mechanisms, focused recovery initiatives, and continuous monitoring of portfolio performance. These measures are expected to support the sustained improvement of asset quality and reinforce the Company's long-term financial stability and resilience.

### Impairment charge




## Operating expenses

The Company continued to maintain its commitment to prudent cost management while strategically investing in areas that support long-term growth and operational scalability. During the financial year under review, HNB Finance PLC recorded total operating expenses of LKR 6.1 Bn., reflecting a 18% increase compared to LKR 5.2 Bn. recorded in the previous financial year.

The increase in operating expenditure was primarily attributable to business expansion, branch operational growth, investments in technology infrastructure, and continued enhancement of human capital capabilities required to support the Company's accelerated growth trajectory. In line with the Company's strategic focus, investments continued to be directed towards strengthening technology infrastructure, process automation, and operational efficiency, with the objective of enhancing customer experience, scalability, and service delivery capabilities.

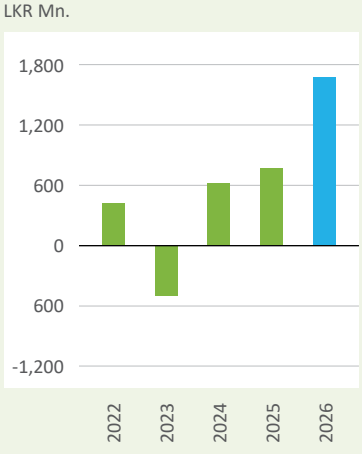
# Financial Capital

## Profitability

FY 2025/26 marked the strongest financial performance in HNB Finance PLC's history, reflecting the successful translation of the Company's strategic transformation initiatives into measurable financial outcomes. HNBF recorded a Profit After Tax of LKR 1.68 Bn. during the year under review, representing a significant growth of 120% compared to LKR 765 Mn. recorded in the previous financial year.

The strong profitability performance was supported by accelerated portfolio expansion, strengthening of the secured lending portfolio, enhanced deposit mobilisation, improved operational execution, and disciplined risk management practices. The Company's strategic transition towards collateral-backed lending segments, particularly leasing and gold loans, continued to improve portfolio resilience, earnings quality, and the long-term sustainability of financial performance.

### Profit after taxation



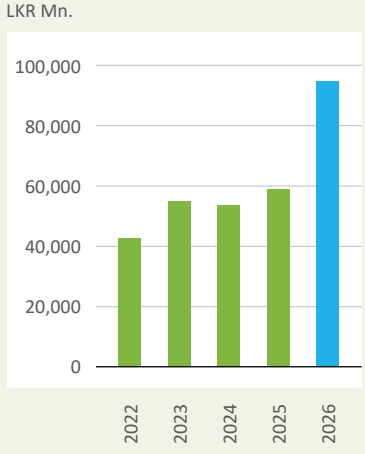

## Total assets

As of 31 March 2026, HNB Finance PLC's total asset base stood at LKR 94.4 Bn., reflecting a substantial growth of 61% compared to the previous financial year. This expansion reflects the continued strengthening of the Company's lending franchise, accelerated business growth, and successful execution of its secured lending strategy.

The overall asset growth was primarily driven by the significant expansion of the lease portfolio, which increased by LKR 25.3 Bn. to reach LKR 51 Bn. during the year. Concurrently, net loans and advances to customers increased by 33% to LKR 25.3 Bn., supported by increased demand for gold loans and other asset-backed lending products.

Investments in debt and other financial instruments increased to LKR 10 Bn. during the year, supporting liquidity management and treasury optimisation. The significant expansion of the balance sheet further reflects growing market confidence, improved operational capacity, and the Company's strengthening position within the non-bank financial services sector.

### Total assets



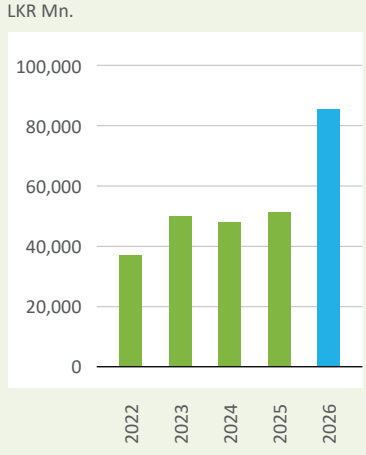

## Total liabilities

Total liabilities stood at LKR 85.1 Bn. at the end of FY 2025/26, reflecting a 67% increase compared to the previous financial year.

Customer deposits, which represent the Company's primary funding source and the largest component of liabilities, increased significantly by LKR 26.7 Bn. to LKR 68.9 Bn. during the year. The strong growth in deposits reflects enhanced depositor confidence, strengthened funding resilience, improved market confidence, and the continued trust placed in the HNB Finance franchise.

The Company's debt issued and other borrowed funds also increased to LKR 10.5 Bn. to support accelerated portfolio expansion and liquidity requirements associated with the Company's rapid business growth. The continued strengthening of the Company's funding base enabled HNBF to support accelerated lending growth while maintaining prudent liquidity management and funding stability.

### Total liabilities



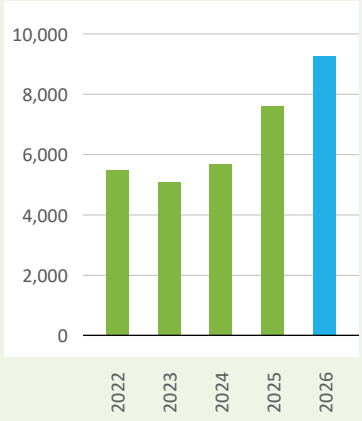
## Equity

Total shareholders' funds stood at LKR 9.3 Bn., reflecting a notable increase compared to LKR 7.6 Bn. recorded at the end of the previous financial year.

The Company's strong profitability performance during FY 2025/26 further strengthened its internal capital generation and overall capital position. Correspondingly, the Net Asset Value (NAV) per share improved from LKR 4.27 in the previous financial year to LKR 4.45 as of 31 March 2026.

The strengthening of the Company's equity position further enhances HNBF's capacity to support future growth ambitions, maintain capital resilience, and absorb potential market volatilities.

**Equity**




# Creating value beyond our business

HNBF's Financial Capital creates value beyond the Company by supporting customers, employees, depositors, shareholders, Government, and the wider economy through responsible financial intermediation. During FY 2025/26, the Company's strengthened profitability, expanded lending portfolio, and improved deposit mobilisation enhanced its ability to distribute economic value while supporting inclusive and sustainable economic participation.

The Company generated LKR 17.79 Bn. in direct economic value during the year, supported by interest income, fee and commission income, and other operating income. From this, LKR 16.11 Bn. was distributed to key stakeholders, including employees, depositors, providers of capital, Government, and suppliers through operating costs. This value distribution demonstrates HNBF's contribution to livelihoods, savings returns, public revenue, business continuity, and broader economic activity.

## Statement of value added

| | 2025-26 | 2024-25 |
|---|---|---|
| **Direct economic value generated** | | |
| Interest income | 14,906 | 10,484 |
| Net Fee and commission income | 819 | 924 |
| Other operating income | 2,078 | 1,551 |
| Value generated | 17,803 | 12,959 |
| Value distributed | 16,122 | 12,194 |
| **Employee wages and benefits** | | |
| Salaries and other benefits | 2,299 | 2,071 |
| **Payments to providers of capital** | | |
| Interest to deposit holders | 5,512 | 4,404 |
| Interest on borrowings | 765 | 574 |
| **Payments to government** | | |
| Income tax expense | 1,029 | 656 |
| VAT and SSCL expense | 1,017 | 646 |
| Other taxes and levies expense | 140 | 88 |
| **Operating costs** | | |
| Depreciation and amortisation | 343 | 355 |
| Impairment for loans and other losses | 1,550 | 660 |
| Other operating costs | 3,467 | 2,740 |
| Economic value retained | 1,681 | 765 |

## Financial Capital

### A snapshot of value creation

| Stakeholder group | Value created beyond the business | SDG alignment |
|---|---|---|
| Customers | Expanded lending capacity enabled customers to access financial solutions for liquidity, asset acquisition, business activity, housing needs, and livelihood development. The Company's shift towards secured lending, including leasing, gold loans, and asset-backed facilities, supported responsible access to finance while strengthening repayment sustainability. |  |
| Employees | HNBF distributed LKR 2.30 Bn. in employee benefits, supporting employee livelihoods, household income, financial security, and workforce stability. |  |
| Depositors and Investors | The Company paid LKR 5.51 Bn. as interest to deposit holders and LKR 765 Mn. as interest on borrowings, creating value for savers, investors, and funding partners while reinforcing confidence in the Company's financial strength. |  |
| Government and Society | HNBF contributed LKR 1.03 Bn. in income tax, LKR 1.02 Bn. in VAT and NBT, and LKR 140 Mn. in other taxes and levies, supporting public revenue that contributes to national development, infrastructure, and social services. |  |
| Shareholders | Stronger profitability, with PAT increasing to LKR 1.68 Bn., improved retained value, equity strength, and long-term shareholder confidence. This enhances the Company's ability to invest in future growth and resilience. |  |
| The wider economy | The expansion of the gross lending portfolio to LKR 82.6 Bn. and total assets to LKR 94.4 Bn. supported financial intermediation, regional economic activity, SME participation, and productive asset financing. |  |

# Governance

## Capital adequacy

The Company remained committed to maintaining prudent capital management practices to support sustainable growth, regulatory compliance, and long-term financial resilience.

Considering the Company's accelerated growth trajectory and future strategic ambitions, capital management continued to remain a key focus area during the year. The strengthening of internal capital generation supported the Company's capital position.

The Company is currently in the process of issuing LKR 2.5 Bn. Rights Issue to further strengthen its capital base. Also, measures are being taken to enhance Tier II capital through the Tier II capital instruments. This proactive capital strategy is intended to further strengthen the Company's capital base and support sustainable long-term growth.

| | 31 March 2026 | 31 March 2025 |
|---|---|---|
| Risk Weighted Assets (LKR Mn.) | 79,800 | 50,946 |
| Core Capital (LKR Mn.) | 7,669 | 5,798 |
| Core Capital Adequacy Ratio (%) (minimum requirement 8.5%) | 9.61 | 11.38 |
| Total Capital (LKR Mn.) | 10,430 | 7,359 |
| Total Capital Adequacy Ratio (%) (minimum requirement 12.5%) | 13.07 | 14.44 |

## Future priorities

### Short-term

In the short term, HNB Finance PLC will focus on sustaining disciplined growth through secured lending, while strengthening deposit mobilisation and maintaining close oversight of portfolio quality, liquidity, and capital adequacy. The Company will continue to balance business expansion with prudent risk management, ensuring that growth remains aligned with customer affordability, funding capacity, and regulatory expectations.

### Medium-term

Over the medium term, HNBF will continue to improve operational scalability and strengthen risk and capital management practices to support a larger and more resilient balance sheet. As the Company progresses towards becoming a potentially systemically important financial institution, stronger governance, improved operational capability, and disciplined capital planning will remain key priorities.

### Long-term

In the long term, HNBF aims to further strengthen earnings stability, portfolio resilience, and stakeholder confidence through the continued evolution of its business model towards secured and resilient lending segments. By maintaining a focus on sustainable profitability, liquidity resilience, capital strength, and long-term shareholder value creation, the Company seeks to build a stronger financial foundation for future growth.

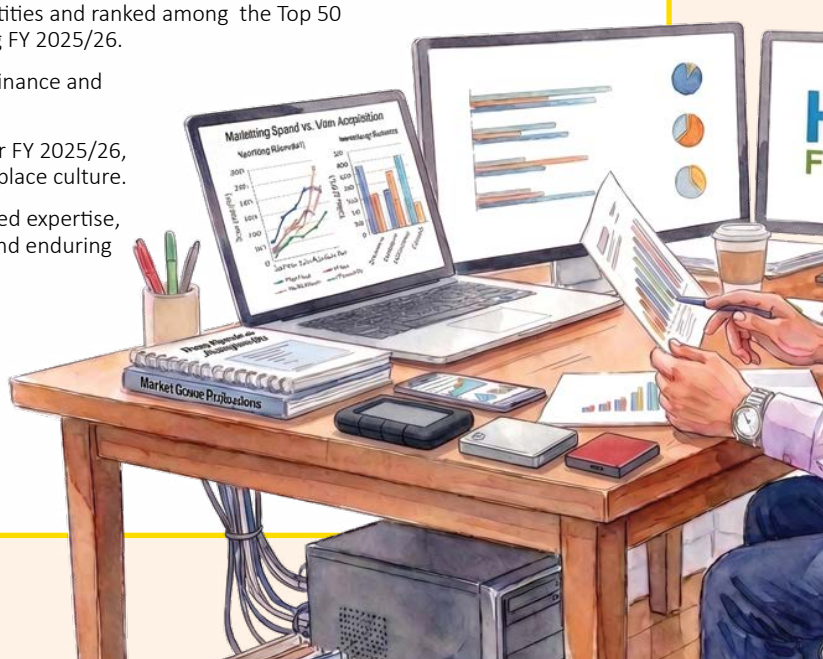
# Intellectual Capital

**At HNB Finance PLC (HNBF), Intellectual Capital represents the collective strength of the Company's systems, processes, institutional knowledge, digital capabilities, data assets, organisational culture and brand equity, all of which support operational efficiency, informed decision-making, innovation, and sustainable competitive advantage. Intellectual Capital continues to play a key role in enhancing customer experience, strengthening stakeholder confidence, and supporting long-term value creation in a dynamic business environment.**

During FY 2025/26, HNBF continued to strengthen its Intellectual Capital through a focused approach towards digital transformation by strengthening digital capabilities, process standardisation, knowledge institutionalisation, and brand enhancement. These initiatives support the Company's transition towards a more agile, technology-enabled, and customer-centric financial services provider.

## HIGHLIGHTS

- HNBF received the Silver Award at the CA TAGS Awards 2025 in the category of Finance, Leasing Companies, and Other Financial Institutions with total group assets between LKR 25-75 Bn.
- The Company was recognised as the Second Runner-Up in the Finance and Leasing Sector category at the CMA Excellence in Integrated Reporting Awards 2025.
- Recognised at the CPM Sri Lanka Best Management Practices Company Awards 2026, the Winner – Finance & Leasing (Private Sector), reflecting our governance strength and operational excellence.
- The company's official website, www.hnbfinance.lk, won the Overall Bronze Award for Best Website 2025 at BestWeb.lk Awards 2025 in the highly competitive Finance & Insurance category.
- During BestWeb.lk Awards 2025, HNB Finance was also named the Most Popular Website in the Finance & Insurance category, reflecting the confidence, trust, and engagement of its customers and stakeholders.
- HNBF was recognised among Sri Lanka's most respected entities and ranked among the Top 50 Most Valuable Consumer Brands in Sri Lanka by LMD during FY 2025/26.
- LMD also ranked HNB Finance PLC as the third most loved finance and leasing brand for the year 2025.
- The Company achieved Great Place to Work Certification for FY 2025/26, reinforcing its commitment to a positive and inclusive workplace culture.
- Celebrated 25 years signifying the organisation's accumulated expertise, institutional knowledge, strong stakeholder relationships, and enduring corporate culture.
- Significant progress was made in advancing the Company's technology infrastructure, including mobile and internet banking, workflow automation, cloud-based collaboration tools, and the implementation of a next-generation Core Banking System.



## Management approach

HNBF's Intellectual Capital management approach focuses on strengthening digital capabilities, enhancing process efficiency, embedding organisational knowledge, and supporting innovation across the business. During FY 2025/26, the Company continued to advance its digital transformation agenda through internet and mobile banking, workflow automation, cloud-based productivity tools, enhanced system integration, and the initiation of the implementation of a next-generation Core Banking System.

The Company also continued to strengthen knowledge management, cybersecurity, data governance, and process standardisation through structured systems and enhanced security controls. These initiatives support operational resilience, improved customer experience, and sustainable long-term value creation.

## Analysis of the Intellectual Capital influence on other capitals

**FINANCIAL CAPITAL**

Enhances revenue generation and operational efficiency through innovation and automation.

**MANUFACTURED CAPITAL**

Optimises infrastructure utility and digital access points via process digitisation and integration.

**HUMAN CAPITAL**

Strengthens employee skills, engagement, and institutional knowledge through structured learning, whilst purposeful investment in intellectual capital attracts and retains skilled employees.

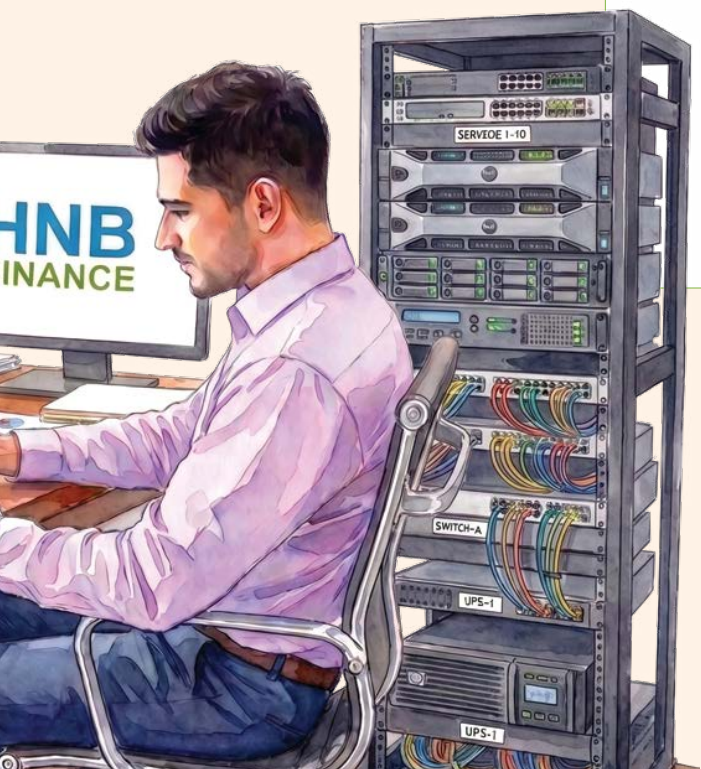
**SOCIAL AND RELATIONSHIP CAPITAL**

Builds trust, loyalty, and stakeholder engagement through branding, ethics, and service excellence.

**NATURAL CAPITAL**

Encourages sustainability through ESG-aligned digital practices and eco-conscious awareness.

## Stakeholder impact




Shareholders

Business Partners

Customers

Regulators

Community and Environment

Employees

## Commitment to SDGs

## Value creation within the Company

HNBF's Intellectual Capital represents the collective strength of its systems, data, institutional knowledge, digital platforms, brand equity, processes, partnerships, and innovation capability. It enables the Company to operate with greater consistency, improve decision-making, strengthen customer experience, and build a scalable foundation for long-term growth. During FY 2025/26, the Company continued to strengthen this capital through digital transformation, knowledge institutionalisation, process standardisation, brand development, and stronger information governance.

The Company's integrated systems, including the Core Banking System, Customer Relationship Management (CRM) System, Document Management System (DMS), Microsoft SharePoint, Microsoft 365, and the Digital Academy, enable knowledge to be embedded within platforms rather than remaining dependent on individuals. This supports operational consistency, real-time information flow, process automation, and better decision-making across functions.

At the same time, Intellectual Capital preserves value by protecting the institutional knowledge developed by HNBF over 25 years, strengthening data security, formalising processes, and supporting business continuity.

HNBF recognises that building Intellectual Capital involves trade-offs. Investments in technology, cybersecurity, brand building, knowledge systems, automation, and partnerships require upfront cost, change management, employee adoption, and ongoing governance. However, these investments support long-term efficiency, scalability, stakeholder confidence, operational resilience, and sustainable growth.

### Value creation model

| Value Contribution | Value Preservation | Value Trade-Offs |
|---|---|---|
| Intellectual Capital strengthens HNBF's ability to scale, automate, innovate, protect data, enhance customer experience, and make informed decisions. Systems such as CRM, Core Banking, Microsoft 365, SharePoint, Loan Origination System (LOS), DMS, and LMS support standardisation, collaboration, and operational efficiency. | The Company preserves value by embedding knowledge into systems, protecting digital assets, standardising policies and Standard Operating Procedures (SOPs), maintaining centralised repositories, and reducing dependency on individual knowledge holders. | Technology, cybersecurity, knowledge management, brand visibility, and innovation require sustained investment and organisational adaptation. These short-term costs are balanced against long-term efficiency, resilience, governance strength, and competitive positioning. |

## Creating value beyond our business

HNBF's Intellectual Capital creates value for stakeholders by improving the quality, reliability, accessibility, and security of financial services. For customers, digital platforms, improved workflows, data-driven processes, and stronger customer engagement mechanisms support faster service delivery, better product accessibility, and more consistent experiences across physical and digital channels.

The Company's brand equity also creates external value by reinforcing confidence among customers, depositors, investors, business partners, regulators, and communities. During FY 2025/26, HNBF strengthened brand visibility through Above The Line (ATL) media, TV advertising, digital placements, Below The Line (BTL) campaigns, and its 25-year anniversary storytelling under the theme "Unity Beyond Boundaries". Consistent communication of the Company's A(lka) Fitch Rating further supported perceptions of financial strength and credibility.

Employees will have better access to knowledge through collaboration tools, digital learning, institutional repositories and improved systems enabling them to perform more effectively while supporting career development and innovation within the organisation.

For communities, Intellectual Capital also supports financial inclusion and empowerment through product innovation, financial literacy, and community engagement.

HNBF's Intellectual Capital also contributes to the spirit of the Sustainable Development Goals (SDGs) by advancing innovation, education, decent work, reduced inequalities, responsible institutions, and partnerships. These contributions are not standalone initiatives; they are embedded in how the Company uses knowledge, data, systems, brand trust, and partnerships to create long-term value.

## A snapshot of value creation

| Stakeholder | Value created | SDG relevance |
|---|---|---|
| Customers | Faster service, improved digital access, stronger data protection, relevant products, and more consistent customer experiences |  |
| Depositors and Investors | Improved confidence through brand strength, Fitch Rating communication, corporate reporting awards, and governance-led disclosures |  |
| Employees | Better access to knowledge, collaboration tools, digital learning, institutional repositories, and improved systems |  |
| Business Partners | Stronger collaboration through system integration, strategic partnerships, API capability, and trusted brand association |  |
| Regulators | Improved compliance, reporting discipline, data governance, auditability, and cybersecurity controls |  |
| Communities | Financial literacy, inclusive products, and community engagement supported by stronger knowledge systems and brand reach |  |

# Governance

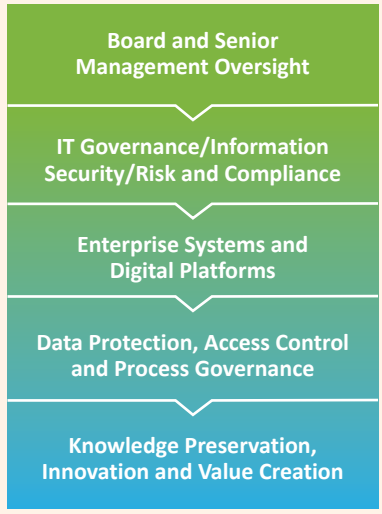
HNBF's Intellectual Capital governance is centred on protecting information, strengthening systems, standardising processes, and ensuring that knowledge-based assets are used responsibly. The Company manages Intellectual Capital through a technology-driven approach that embeds institutional knowledge within enterprise systems, digital platforms, and information governance frameworks.

Board-level oversight and management-level controls support IT governance, cybersecurity, information security, technology infrastructure, and data protection. Digital investments, cybersecurity, and data management are overseen through established management committees, including the IT Steering Committee and the Information Security Committee. These operate under the oversight of the Board Technology Committee, Board Integrated Risk Management Committee, and Board Strategic & Investment Review Committee, ensuring that technology initiatives remain aligned with strategy, risk appetite, and governance expectations.

Risk appetite is embedded into strategic decision-making through defined thresholds relating to asset quality, capital adequacy, concentration limits, liquidity, and regulatory expectations. This ensures that business growth, technology enhancement initiatives, and operational innovation are pursued within a disciplined risk framework. Identity and access management, encryption, Data Loss Prevention, data classification, and Information Rights Management further safeguard information assets while ensuring that digital platforms remain secure, traceable, and aligned with regulatory expectations.

The governance framework also extends to process standardisation and documentation. The Company uses platforms such as the Document Management System, Microsoft SharePoint, and LMS to maintain policies, SOPs, best-practice guidelines, recorded learning sessions, and internal knowledge repositories. This strengthens consistency, version control, audit traceability, and operational discipline across business units.

### Governance framework



# Intellectual capital in action

## Brand recognition

### Corporate reporting

**TAGS Awards 2025**

During TAGS Awards 2025 organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), HNBF elevated its standing by securing the Silver Award in the category of Finance, Leasing Companies, and Other Financial Institutions with total group assets between LKR 25 Bn. and LKR 75 Bn., improving from the Bronze Award achieved in the previous year.

### Integrated reporting

**CMA Excellence in Integrated Reporting Awards 2025**

The CMA Excellence in Integrated Reporting Awards in Sri Lanka recognizes listed, unlisted, and state-owned enterprises that excel in integrated reporting. At the 2025 awards ceremony, HNBF was placed second runner up in the category of Best Integrated Report of Finance and Leasing Sector.

### Governance excellence

**CPM Awards**

The CPM Sri Lanka Best Management Practices Company Awards 2026 recognised HNBF as the Sector award Winner in the Finance and Leasing (Private Sector) and among the top 40 outstanding companies category. The accolade highlights the successful transformation journey our company has undertaken, supported by the adoption of best management practices that have streamlined our processes, strong governance, leadership and operational excellence in the industry.

### Digital accolades

**BestWeb.lk 2025**

Organised by the LK Domain Registry, the BestWeb.lk awards is Sri Lanka's premier annual web design competition that recognises, honors, and promotes excellence in web development, design, and digital innovation. In 2025, the Company's official website won the Overall Bronze Award for Best Website 2025 in the highly competitive Finance and Insurance category.

HNBF was also named the Most Popular Website in the Finance and Insurance Category in 2025.

### Brand visibility

HNB Finance PLC placed third in the most loved finance and leasing brands for 2025 conducted by LMD. HNBF was also ranked among Sri Lanka's most respected entities and among the Top 50 Most Valuable Consumer Brands by LMD.

### Credit rating

**Fitch Rating**

HNB Finance PLC's National Long-Term Rating of "A(lka)" was retained by Fitch Ratings, with a Stable Outlook. This reflects the Company's financial resilience, sound governance practices, and confidence in its credit profile.

### Employer brand

**Great place to work certification**

HNBF achieved the Great Place to Work Certification for the 2025/26 financial year, a globally recognised benchmark for workplace culture. This certification is awarded only to companies where at least 70% of employees report a high-trust, positive, and productive environment.

## Our physical branch network

HNBF's physical branch network remains a vital customer touchpoint, particularly across rural and semi-urban communities where relationship-based financial services continue to play an important role. The network strengthens accessibility, customer trust, and brand visibility by enabling direct engagement at community level.

## Community driven marketing approach

Our community-driven marketing approach ensures that the brand remains visible, relevant, and trusted across diverse regional markets. By combining local engagement, financial education, partnerships, and CSR initiatives, the Company continues to deepen grassroots-level relationships while reinforcing its role as a responsible financial partner.

### Marketing Approach



## Key community-led brand initiatives

| Initiative | Approach | Brand impact |
|---|---|---|
| Community Sponsorship | Book donation to Nikaweratiya Public library, religious events, Vesak dansal programmes, and community gatherings. | Strengthened local visibility and reinforced HNBF's commitment to community development. |
| Localised Advertising | Grassroots-level branding, dealer branding, outdoor promotions, and regional outreach campaigns. | Improved brand penetration across regional markets. |
| Financial Literacy Workshops | Free awareness programmes on saving, investing, and SME finance are conducted in rural areas. | Built financial awareness, customer trust, and responsible financial behaviour. |
| Partnerships with Local Businesses | Privilege Loyalty Programme and affiliated merchant partnerships. | Expanded brand presence through trusted local networks. |
| CSR Projects | Blood donation campaigns, cultural celebrations, Vesak dansal activities, extended support for the community affected by Cyclone Ditwah and other community initiatives. | Reflected HNBF's values, empathy, and social responsibility. |

## Branch revitalisation

During FY 2025/26, the Company continued to optimise its branch network through a disciplined and performance-led approach aimed at strengthening operational efficiency, enhancing service coverage, and improving customer accessibility. As part of this branch revitalisation strategy, selected branches were integrated with nearby locations with stronger business potential, enabling HNBF to maintain continuity of service while improving resource allocation and branch-level productivity. Accordingly, Nedunkerney Branch was integrated with Vavuniya and Mullaitivu branches, Walapane Branch was integrated with Rikillagaskada and Nuwara Eliya branches, and the Pitigala Branch was integrated with Ambalangoda and Mathugama branches.




***CA TAGS Awards 2025***




***CMA Excellence in Integrated Reporting Awards 2025***




***CPM Awards 2026***




***BestWeb.lk 2025***

## Digital capability enhancement and technology integration

During FY 2025/26, HNBF's digital and technology strategy remained closely aligned with the Company's overall business strategy, supporting omnichannel customer engagement, operational automation, improved risk management, and scalable growth. Key initiatives included the initiation of the implementation of a new Core Banking System, launch of internet and mobile banking platforms, secure cloud-based data storage capabilities, enhanced cybersecurity controls through Data Loss Prevention (DLP) and Information Rights Management (IRM). These initiatives were designed to improve operational efficiency, strengthen data accessibility, enhance customer experience, and support growth across the Company's lending and deposit portfolios.

The Company's digital transformation also supports its strategic shift towards a risk-calibrated and secured lending model. By enabling improved processing efficiency, better customer access, faster service delivery, and stronger data-driven decision-making, technology serves as a key catalyst of Intellectual Capital and a direct enabler of HNBF's long-term transformation agenda.

### Digital infrastructure

HNBF continued to strengthen its digital infrastructure during FY 2025/26, with focused investments in core banking system, workflow automation, and customer-facing digital platforms. These initiatives support the Company's broader transformation agenda by improving scalability, operational efficiency, data accessibility, and service delivery across lending and deposit portfolios.

### Digitalised workflows

The Company continued to expand workflow automation and digital process optimisation across internal operations. These initiatives reduced manual intervention, improved turnaround times, strengthened process consistency, and minimised operational errors. Internal process automation has improved resource utilisation, reduced paper-based workflows, and enhanced operational reliability.

### Internet and mobile banking platforms

HNBF's internet and mobile platforms marked an important step in expanding digital customer engagement. During the year, customer transactions and onboarding activities were increasingly facilitated through digital channels, reflecting the early stages of digital adoption. These platforms improve customer accessibility, convenience, and service responsiveness, while laying the foundation for greater digital adoption and omnichannel engagement in the coming years.




***Internet and Mobile banking platform launch***

### Data privacy

As digital adoption expands, data privacy and information protection remain central to HNBF's Intellectual Capital governance. The Company strengthened cybersecurity through enhanced endpoint protection, network security controls, Data Loss Prevention (DLP), Integrated Risk Management (IRM), access management, encryption, and data classification. These mechanisms help safeguard customer data, protect organisational knowledge, and ensure that digital assets are managed in line with regulatory expectations and internal governance standards.

No material cybersecurity incidents were reported during the year, reflecting the Company's continued focus on cyber resilience, monitoring, and compliance with applicable cybersecurity and data protection requirements.

### Training on IT and data security

The Company continued to invest in employee awareness initiatives to promote safe digital practices. Training and awareness programmes were conducted through classroom sessions, simulation exercises, and digital communication channels. These programmes were designed to strengthen cybersecurity awareness, reinforce responsible technology use, and enhance the organisation's first line of defence against emerging digital threats.

Key training programmes included LOS trainings, which recorded the highest training hours at 5,781, followed by Data Loss Prevention training at 1,975, MS Office training at 620, and others in total of 438 hours.

The Cybersecurity Drill for HNBF was conducted by TechCert in June 2025 with the objective of familiarizing participants with the latest cyber threats, providing hands-on exposure to real-world cyberattack scenarios, enhancing cybersecurity readiness and response capabilities, encouraging information sharing among trusted stakeholders, and supporting the strengthening and scaling of the organisation's IT security framework through the identification of improvement areas.

These initiatives helped improve employee readiness for system-driven operations, strengthened awareness of data protection obligations, and supported more secure, efficient, and digitally enabled ways of working across the organisation.

## Developments in processes

During the year, HNBF continued to strengthen process standardisation and operational discipline through workflow-driven systems, the Core Banking System, and improved documentation practices. Further Digital documentation, and platforms such as the Document Management System, Procurement Management System and Microsoft SharePoint enhanced version control, audit traceability, and consistency across business units are also underway.

The Company also made measurable progress in automating internal processes, with several key operational workflows automated during the year, enhancing efficiency, consistency, and process effectiveness across the organisation. Automation and workflow improvements reduces manual dependency, improves turnaround times, strengthens process consistency, and reduces operational errors. These initiatives also support cost efficiency by lowering manpower requirements, reducing administrative overheads, and minimising rework caused by manual errors.

Digitalisation further improves the accuracy and timeliness of regulatory reporting through better data management, standardises processes, and increases automation. These developments strengthen both operational efficiency and governance, while supporting HNBF's broader objective of building a more scalable and resilient operating model.

The illustration below provides a concise overview of the Company's information technology framework and strategic approach.

### Technology Approach

Modernise legacy systems, cloud technology adoption, and foster a data driven, digitally enabled culture.

| Tools | Cloud Platform | Digitalised Workflows | Digital and Mobile Platforms |
|---|---|---|---|
| | Widely used across the organisation for productivity, collaboration, and communication with enhanced cybersecurity controls. | Use of low code/no code platforms, resulting in significant improvements in efficiency, transparency, and standardisation. | Web and Mobile applications utilised for customer engagement. |

| Achievements in 2025/26 | | | |
|---|---|---|---|
| **Launch of mobile and internet banking** Strengthened customer accessibility and digital service delivery by enabling more convenient, secure, and responsive banking interactions | **Introduction of OneDrive and SharePoint-based file storage** Improved knowledge management, document accessibility, collaboration, and version control across the organisation | **Automated Data Classification and Data Loss Prevention** Enhanced information governance by improving data protection, reducing leakage risk, and supporting secure handling of sensitive information | **Security Operations Centre created (SOC)** Strengthened cybersecurity resilience through centralised monitoring, faster threat detection, and more proactive response to information security risks |

## Knowledge-based asset development

HNBF's knowledge-based assets include its institutional memory, documented policies, standard operating procedures, training content, data repositories, customer insights, brand knowledge, and system-enabled business processes. The Company has established structured mechanisms to capture, retain, and transfer institutional knowledge, thereby supporting business continuity, capability building, and operational consistency.

Structured, department-specific training initiatives are a hallmark of our commitment to employee development and continuous learning. This year, the Company achieved an organisational average of 26 training hours per employee. During the year, the Company conducted a broad range of learning initiatives, with knowledge-based training accounting for the highest number of sessions at 95, reaching 5,575 participants. This was complemented by strong emphasis on product-based training, which supported 2,282 attendees through 41 sessions, and technical skills development, which reached 2,567 participants across 59 programmes.

Soft skills development also remained a key focus, contributing 9,592 training hours, while employee orientation, CBSL training, and e-learning platforms supported onboarding, regulatory awareness, and continuous learning. Together, these initiatives strengthened institutional knowledge, role-based capability, digital and technical readiness, and the Company's ability to convert employee learning into long-term Intellectual Capital.

The Digital Academy serves as a central digital knowledge repository, housing training content, SOPs, policies, best-practice guidelines, and recorded learning sessions. This enables employees across branches and business units to access critical knowledge consistently and reduces dependency on individual knowledge

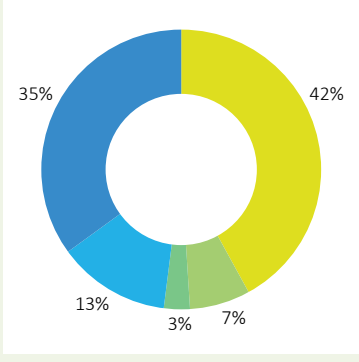
## Intellectual Capital

holders. Internal circulars, structured training programmes, and digital communication channels further support the timely dissemination of operational updates, policy changes, and process improvements across the organisation.

The Company's knowledge base is further strengthened by the depth and diversity of experience held within its Corporate and Senior Management teams. HNBF's leadership team brings together professionals across multiple disciplines, including technology, compliance, recoveries, deposits and savings, portfolio management, credit administration, corporate planning, analytics, marketing, and competency development, enabling informed and strategically aligned decision-making.

This knowledge base reflects a strong balance of institutional memory and fresh perspective, with 48 senior management members having over 15 years of experience at HNBF. This blend of long-standing organisational knowledge, specialist expertise, and new market insight remains a critical knowledge-based asset, supporting leadership continuity, transformation readiness, succession planning, and long-term value creation.

### Senior Management Proficiency




From a systems perspective, intellectual property and proprietary process designs are protected through role-based access controls, DLP, IRM, vendor agreements, licensing arrangements, and structured change management processes.
These safeguards ensure that system configurations, integrations, and digital process designs remain secure, traceable, and protected as organisational assets.

### Preserving intellectual capital

HNBF preserves Intellectual Capital by embedding knowledge within systems, policies, processes, and digital repositories, ensuring that critical institutional knowledge remains accessible and transferable across the organisation.

The LMS, Document Management System, Microsoft SharePoint, internal circulars, structured training programmes, and controlled documentation processes collectively support knowledge retention and continuity.

Internal talent development was fostered through structured exposure and professional development opportunities, enabling the organic cultivation of expertise within the organisation. In addition, strategic partnerships with universities facilitated the attraction and recruitment of skilled undergraduates. Internship programmes were also offered to fresh graduates and entry-level candidates, providing them with practical experience while creating a pipeline to identify, develop, and retain high-performing talent.

The High Flyer programme, the Company's formal succession planning initiative, and proper talent pipeline management also support the preservation of expertise amid staff turnover, role transitions, and migration. Successors are identified for critical roles and developed through leadership development, coaching, and role-based capability building, helping to mitigate key-person risk and maintain continuity in core functions.




***High Flyer programme***

The illustration below highlights HNBF's comprehensive and multifaceted approach to knowledge development and capacity enhancement across the organisation.




## Group synergies

HNBF's Intellectual Capital is strengthened by its association with Hatton National Bank PLC (HNB), which enhances the Company's credibility, customer reach, governance discipline, and access to wider institutional expertise in areas such as digital banking, risk management, compliance, and customer service.

These synergies support HNBF's transition towards a more resilient, secured, and risk-calibrated business model by strengthening customer confidence, distribution capability, brand trust, and operational discipline. In a competitive financial services landscape, the Company's 25-year legacy, A(lka) Stable Outlook Fitch Rating, strategic partnerships, and HNB Group backing continue to reinforce its market position.

## Sustainability initiatives

The improved economic conditions in 2025, coupled with the relaxation of vehicle import restrictions in February 2025, created favourable opportunities for the Company to expand its core business operations. Capitalising on these market developments, the Company pursued a measured growth strategy by strengthening its focus on collateral-backed lending, particularly through leasing and gold loan products. This strategic realignment was undertaken to support sustainable business growth while mitigating the risks traditionally associated with unsecured lending.

Intellectual Capital supports HNBF's sustainability agenda by enabling responsible digitalisation, improved governance, stronger environmental management, and more efficient resource utilisation. Increased use of digital platforms, workflow automation, and paperless processes contributes to reduced manual documentation and lower paper usage, while complementary initiatives such as paper recycling, safe disposal of e-waste, and solar panel usage further support the Company's broader environmental stewardship efforts.

Technology also supports ESG integration by improving data capture, monitoring, reporting, and disclosure readiness. During the year, HNBF initiated structured greenhouse gas emissions measurement practices and continued taking steps to align with the detailed disclosure requirements of SLFRS S1 and S2. As sustainability considerations become increasingly embedded into strategy, credit evaluation, and portfolio management, HNBF's digital systems and analytical capabilities provide a stronger foundation for identifying risks, tracking performance, improving disclosure quality, and supporting long-term sustainable value creation.

## Partnerships with external organisations

Strategic partnerships form an important part of HNBF's Intellectual Capital. During FY 2025/26, the Company strengthened partnerships with Vogue Jewellers, Ashadi Jewellers, and Raja Jewellers for gold loan products, Indra Traders for vehicle leasing with exclusive rewards, and Hayleys Mobility to strengthen association with EV leasing. These partnerships expanded product accessibility, strengthened cross-industry reach, and supported targeted customer acquisition through trusted partner networks.



***Partnership with Hayleys Mobility***

## Compliance

Compliance is central to protecting and strengthening HNBF's Intellectual Capital as the Company becomes increasingly reliant on data, digital platforms, automation, and technology-led processes. The Company supports compliance through system-based controls, structured access rights, Data Loss Prevention, Information Rights Management, encryption, data classification, vendor contracts, software licensing, change management processes, and secure system configurations.

Compliance is further strengthened through centralised documentation, automated workflows, version control, standardised SOPs, policies, and reporting mechanisms. These practices reduce operational ambiguity, improve traceability, and ensure alignment with applicable requirements, including Central Bank of Sri Lanka directives, Colombo Stock Exchange and Securities and Exchange Commission regulations, Sri Lanka Accounting Standards, GRI Standards, and Integrated Reporting guidelines.

### Intellectual capital compliance focus areas

| Compliance area | HNBF response |
|---|---|
| Data protection | Access management, encryption, data classification, DLP, and IRM |
| System security | Identity controls, cybersecurity protocols, vendor safeguards, and licensing arrangements |
| Process compliance | SOP standardisation, workflow controls, DMS, and SharePoint |
| Regulatory alignment | Policies and systems aligned with regulatory and operational requirements |
| Knowledge governance | LMS, structured training programmes, circulars, policies, and version-controlled repositories |
| Brand and communication governance | Consistent campaign governance, customer feedback, responsible communication, and reputation monitoring |

## Risk management and opportunity response

HNBF's Intellectual Capital risk management approach focuses on protecting the Company's systems, data, brand trust, knowledge continuity, and innovation capability. Key risks include cybersecurity threats, data privacy breaches, technology implementation challenges, dependence on digital infrastructure, vendor dependency, system integration risks, knowledge loss, and reputational risks arising from inconsistent service or communication.

These risks are managed through a structured governance framework led by an independent Risk Management Department, which reports directly to the Board Integrated Risk Management Committee. A comprehensive risk overview is presented to the Committee every two months, ensuring regular Board-level oversight and timely identification of emerging risks.

The framework is further supported by structured IT governance, system-based controls, centralised knowledge repositories, cybersecurity measures, and established partnerships. Business continuity and disaster recovery arrangements also support resilience, with critical functions identified through Business Impact Analysis (BIA), regular preparedness drills conducted, and Disaster Recovery (DR) mechanisms supported by real-time or mirror data replication and a separate disaster recovery site.

HNBF's strong brand, recognised reporting quality, growing digital platforms, and industry recognitions further strengthen stakeholder confidence in its Intellectual Capital. However, the Company continues to focus on strengthening cybersecurity capability, system integration, automation, data analytics maturity, digital talent development, and reduced dependency on selected external vendors.

## Risk management and opportunity response snapshot

| Risk/opportunity | HNBF response |
|---|---|
| Cybersecurity and data privacy | Strengthen endpoint protection, access controls, encryption, DLP, IRM, Zero Trust, and employee awareness |
| Technology implementation risk | Use structured change management, vendor governance, phased implementation, and Board-level oversight |
| Knowledge loss | Maintain LMS, succession planning, talent pool, documented SOPs, training programmes, and internal circulars |
| Brand competition | Strengthen campaigns, anniversary-led storytelling, ATL/BTL execution, customer feedback, and product positioning |
| Innovation opportunity | Build Artificial Intelligence (AI), Robotic Process Automation (RPA), Application Programming Interface (API), Core Banking optimisation, analytics, and proof-of-concept capabilities |
| Customer insight opportunity | Improve segmentation, customer lifetime value, retention, and digitally enabled engagement |

# Future priorities

### Short term

In the short term, HNBF will focus on strengthening the digital and knowledge foundations required to support a more agile and efficient organisation. Priorities include completing and optimising the Core Banking System implementation, expanding workflow automation, enhancing cybersecurity, improving data analytics capabilities, and strengthening knowledge management across lending and deposit portfolios.

The Company will also continue to align workforce capability with evolving business needs through targeted upskilling, disciplined talent acquisition, training programmes, leadership development, and performance improvement initiatives.

Brand and customer engagement priorities will include targeted digital advertising, improved content marketing, ongoing by conducting financial literacy initiatives, community engagement, and stronger customer communication.

### Medium term

Over the medium term, HNBF will deepen system integration, expand RPA and workflow solutions, strengthen API-based architecture, and improve data-driven decision-making. These initiatives will support scalability, operational efficiency, governance standards, process reliability, and stronger institutional knowledge.

Relational capital will also be strengthened through digitally enabled customer experiences, deeper depositor and customer relationships, improved segmentation, higher customer lifetime value, and more effective retention strategies.

The Company will also focus on building stronger internal go-to-market capabilities, reducing dependency on selected third-party vendors, and developing strategically aligned partnerships with the right brand associations.

### Long term

In the long term, HNBF aims to build a mature innovation capability supported by AI, automation, advanced analytics, stronger digital ecosystems, and enhanced cybersecurity frameworks such as Security Information & Event Management (SIEM) and Zero Trust. By progressively embedding knowledge within systems, processes, and people, the Company will strengthen resilience, improve strategic responsiveness, and support sustainable growth.

Sustainability considerations will remain embedded across business practices, reinforcing trust, stakeholder value, and long-term institutional stability.

Collectively, these Intellectual Capital priorities will support HNBF's ambition to become a stable, efficient, digitally advanced, and trusted financial services provider capable of delivering sustainable long-term growth.

# Manufactured Capital

**Manufactured Capital refers to the physical and technology-enabled assets that support HNBF's operations and service delivery. These include our branch network, office premises, equipment, IT infrastructure, transport fleet, communication systems, security arrangements, and other operational assets that enable the Company to deliver financial solutions safely, efficiently, and consistently. Beyond functionality, Manufactured Capital also enhances productivity, safety, customer experience, operational resilience, and disaster readiness. As HNBF continues its transition towards a more secured, risk-calibrated, and digitally enabled business model, Manufactured Capital remains critical to maintaining customer access, strengthening service delivery, and supporting long-term business continuity.**

## HIGHLIGHTS

- Operated a strategically dispersed network of 76 branches across Sri Lanka.
- Maintained a strong outreach beyond the Western Province, with 72% of branches located outside the Western Province.
- Launched Mobile and Internet Banking, enhancing digital accessibility, customer convenience, and service reach.
- Embedded eco-conscious practices across infrastructure and facilities, including solar installations, energy-efficient lighting, sustainable procurements, responsible waste management, and improved resource efficiency through GHG emission measurement.
- Investments were made in the rearrangement and renovation of gold loan centres and branches to accommodate the growing customer volumes resulting from the transformation of the business model.
- Branch network revitalisation initiatives were undertaken to enhance the efficiency and productivity of branch operations.



## Management approach

HNBF's approach to Manufactured Capital is centred on strategic investment in physical infrastructure, technology, and operational assets, balancing immediate operational needs with future growth requirements. Infrastructure decisions are supported by risk assessments, regulatory compliance considerations, market demand assessments, and expected business returns. The Company continues to maintain a strong focus on physical customer engagement while progressively expanding digital enablement across products and services. Branch-led interaction remains central to customer relationships, particularly in rural and semi-urban markets, while digital initiatives such as the Loan Origination System, online payment channels, and future web-based applications strengthen efficiency and scalability.

## Analysis of the manufactured capital influence on other capitals

**FINANCIAL CAPITAL**

Enhances operational efficiency, reduces maintenance and energy costs, and increases the lifespan of physical assets, supporting profitability, strengthening revenue generation and long-term financial stability.

**INTELLECTUAL CAPITAL**

Encourages investment in digital systems and automated processes that enhances operational intelligence, data analytics, and innovative service delivery, which in turn has a positive impact on the brand image.

**HUMAN CAPITAL**

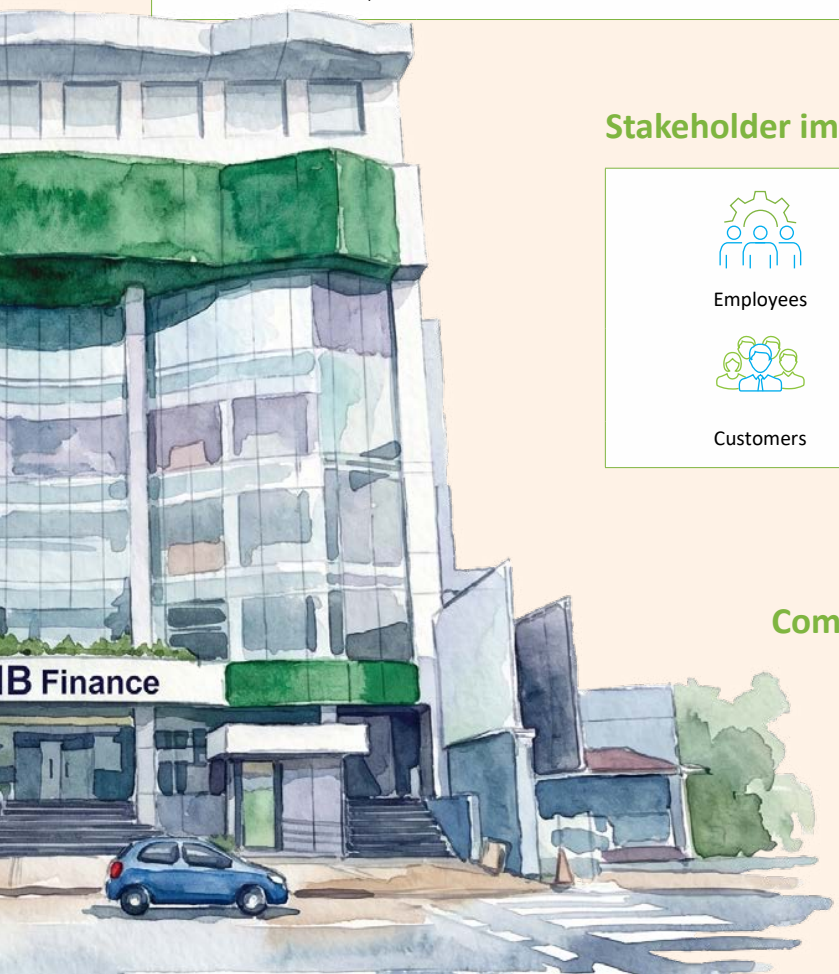
Provides a safer, more ergonomic, and technologically advanced work environment, boosting employee well-being, productivity, and job satisfaction.

**SOCIAL AND RELATIONSHIP CAPITAL**

Enhances customer satisfaction through improved service delivery and extends financial accessibility to a broader segment of the community.

**NATURAL CAPITAL**

Minimises environmental degradation through sustainable sourcing, efficient resources usage and waste reduction technologies embedded in infrastructure.




## Stakeholder impact

Employees | Shareholders | Business Partners

Customers | Regulators | Community and Environment

## Commitment to SDGs

## Creating value within the Company

HNBF's Manufactured Capital represents the physical and technology-enabled infrastructure that enables the Company to deliver financial services safely, efficiently, and consistently. It includes the branch network, office premises, IT systems, communication infrastructure, equipment, transport fleet, security systems, insurance arrangements, and other operational assets that support day-to-day business activity. As HNBF continues its transition towards a more secured, risk-calibrated, and digitally enabled business model, Manufactured Capital remains central to customer access, operational efficiency, service continuity, and long-term resilience.

Manufactured Capital creates value for the Company by providing the physical infrastructure required to efficiently deliver financial services across Sri Lanka. Through its extensive network of 76 branches, including 55 located outside the Western Province, HNBF is able to maintain strong customer proximity, particularly in semi-urban and rural areas. This widespread presence enhances market reach, customer base, strengthens customer relationships, sustainable business growth and long-term value creation and supports the Company's strategic focus on financial inclusion, secured lending, and relationship-based service delivery.

The introduction and enhancement of mobile and internet banking platforms have significantly improved the Company's customer reach and accessibility. By offering convenient, secure, and user-friendly digital banking solutions enabled the Company to extend its services beyond traditional branch networks and cater to a wider customer base across diverse geographic locations. These digital channels have enabled customers to conveniently access financial services, make transactions, monitor accounts, thereby enhancing customer engagement, satisfaction, and operational efficiency.

The Company's technology-enabled infrastructure also contributes to efficiency and scalability. The Loan Origination System (LOS) is now operational across 2W, 3W, and 4W leasing categories, demonstrating strong adoption in 2W leasing and increasing utilisation in 3W leasing. This supports faster, more paperless processing, stronger credit discipline, improved data accuracy, and better customer service. HNBF enhanced repayment convenience by introducing leasing instalment collection through savings accounts and digital channels, encouraging greater use of online transfers and direct account deposits among customers.

Strategic investments in insurance coverage for physical and operational assets, enhanced security measures, disaster preparedness and business continuity readiness, strengthened IT infrastructure, and robust cybersecurity frameworks have significantly reduced the Company's exposure to significant losses. These initiatives have added substantial value to the Company by improving resilience, safeguarding business operations, minimising potential disruptions, and ensuring continuity and stability in an increasingly dynamic environment.

Manufactured Capital preserves value through disciplined asset management, preventive maintenance, procurement controls, insurance coverage, security systems, fixed asset verification, and business continuity arrangements. The Company maintains CCTV coverage across all 76 branches, with footage retained for 90 days, and recorded no security-related incidents during FY 2025/26. These measures protect our physical assets and operational continuity.

At the same time, Manufactured Capital involves strategic trade-offs. Continued investment in branch upgrades, digital infrastructure, secure connectivity, office equipment, maintenance, disaster readiness, and customer-facing facilities creates near-term cost commitments. However, these investments support long-term value by strengthening customer trust, improving operational resilience, reducing downtime, enhancing compliance, and enabling sustainable growth.

### Value creation model

| Value Contribution | Value Preservation | Value Trade-Offs |
|---|---|---|
| Enables customer access, secured lending growth, operational efficiency, digital scalability, faster service delivery, and stronger branch-level productivity. | Protects operational continuity through preventive maintenance, CCTV coverage, wider branch network, insurance, internal audit verification, procurement governance, asset lifecycle management, BCP, and disaster recovery arrangements. | Requires sustained investment in physical and digital infrastructure, but supports long-term resilience, risk reduction, customer confidence, and scalable growth. |

## Performance snapshot

| Indicator | FY 2025/26 |
|---|---|
| Number of physical customer touch points | 76 |
| Branches outside Western Province | 55 |
| Gold loan centre rearrangement and renovations | 5 branches |
| Security/CCTV coverage | All branches |

# Value creation to stakeholders through manufactured capital

HNBF's Manufactured Capital creates value for stakeholders by strengthening access, convenience, safety, service reliability, and operational continuity. For customers, the Company's branch network consisting of 76 branches remains a trusted point of contact, particularly in rural and semi-urban communities where direct engagement and relationship-based financial services continue to be important. With 55 branches outside the Western Province, HNBF supports wider financial inclusion and regional economic participation. The branch network is also complemented by the Centre Model, which further extends financial access to underserved communities with limited access to traditional branch infrastructure. Together, these physical and operational channels enhance service accessibility, improve customer engagement, and contribute to sustainable business growth and long-term value creation.

For employees, Manufactured Capital provides safer and better-equipped work environments, supported by improved office infrastructure, digital tools, transport facilities, security arrangements, and service continuity mechanisms.

For shareholders, the Company has enhanced asset utilisation through the effective optimisation of resources and technology-driven operational efficiencies, while strengthening operational resilience through robust risk management practices, business continuity measures, and enhanced cybersecurity frameworks. Strategic investments in scalable infrastructure have further positioned the Company to efficiently support future growth and evolving customer requirements. These initiatives collectively contribute to sustainable long-term value creation for shareholders by improving operational performance, business sustainability, customer experience, and overall financial stability.

For regulators, the Company's infrastructure governance, internal audit verification, CCTV systems, documentation, business continuity planning, and regulatory compliance practices strengthen transparency and operational traceability.

For the community and the environment, the Company has contributed towards wider financial access in rural and semi-urban regions by expanding customer-centric financial services, thereby enhancing regional economic participation and supporting inclusive economic growth. For the environment, the increased adoption of digitalisation initiatives has reduced dependence on paper-based processes and physical transactions, contributing towards a lower environmental impact while In house solar panels also creates a positive impact on the environment.

For business partners, the Company has fostered stable and long-term procurement relationships by creating consistent opportunities to support its operational and strategic requirements across technology, security, transport, maintenance, insurance, and infrastructure-related services. The Company's continued investments in operational enhancement, digital transformation, and infrastructure development have strengthened collaboration with business partners, enabling mutual growth, service reliability, and sustainable value creation

## Stakeholder value and SDG alignment

| Stakeholder group | Value created beyond the business | SDG alignment |
|---|---|---|
| Customers | Greater access through branches and outreach models; faster service through LOS, digital payments, and improved branch processes; better facilities and service continuity | 8, 9, 10, 11 |
| Employees | Safer, better-equipped workplaces; improved productivity through digital tools and workflow automation; better resource availability for branch, recovery, audit, and support teams | 8, 9 |
| Shareholders | Improved asset utilisation, stronger operational resilience, scalable infrastructure, and better long-term value creation | 8, 9 |
| Regulators | Stronger compliance through structured infrastructure governance, audit verification, documentation, and continuity planning | 8, 16 |
| Community and environment | Wider financial access in rural and semi-urban regions; regional economic participation; reduced environmental impact through digitalisation and responsible asset practices | 7, 10, 11, 13, 12 |
| Business partners | Stable procurement relationships and opportunities to support technology, security, transport, maintenance, insurance, and infrastructure needs | 8, 12, 17 |

## Governance

Manufactured Capital governance at HNBF is structured around infrastructure planning, network optimisation, asset protection, procurement discipline, and operational continuity. The Company manages its manufactured assets through defined responsibilities across branch operations, channel management, procurement, insurance services, office infrastructure, transport, security, internal audit, and technology support.

Strategic decisions relating to the branch network, including new branch openings, relocations, mergers, and closures, are carried out by the Channel Management Division based on economic studies, market potential, business performance, customer accessibility, and operational efficiency considerations. This ensures that network decisions are guided by commercial viability while maintaining customer access.

Procurement governance is supported by the Board-approved Procurement Policy, which guides sourcing decisions based on value for money, quality, timely delivery, fairness, transparency, and compliance. The Fixed Assets Procedure Manual provides a structured framework for protecting and managing physical assets, while regular fixed asset verifications are conducted by Internal Audit and reported to the Board through the Audit Committee.

### Governance framework



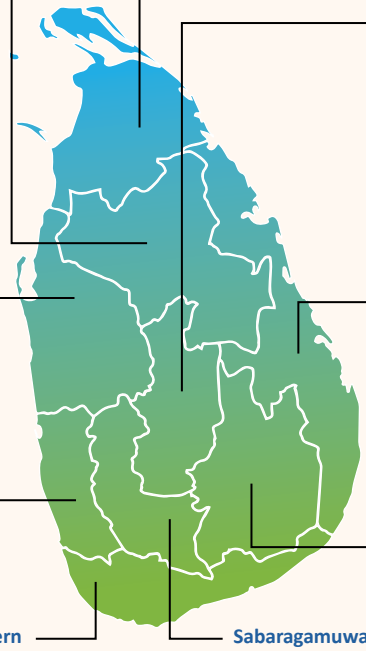
## Governance focus areas

| Governance area | How it is managed |
|---|---|
| Network Strategy | Channel Management Division assesses branch openings, relocations, mergers, and closures based on economic studies and market potential |
| Capital Investment Decisions | Infrastructure decisions are guided by business potential, expected returns, risk assessments, and regulatory requirements |
| Procurement | Board-approved Procurement Policy supports fairness, transparency, value for money, quality, and timely delivery |
| Asset Protection | Fixed Assets Procedure Manual, asset verification, preventive maintenance, insurance, and internal audit oversight |
| Security | CCTV systems across all branches, 90-day footage retention, incident monitoring, and security controls |
| Business Continuity | BCP, disaster recovery readiness, data backup, communication arrangements, and power supply mechanisms |

## Manufactured capital in action

### Branch network and location strategy

HNBF operates an island-wide network of 76 strategically positioned branches, reflecting the Company's commitment to deepening financial inclusion across Sri Lanka. With 55 branches outside the Western Province, the network remains strongly anchored in semi-urban and rural regions, enabling HNBF to serve customers beyond traditional urban centres. The Company's branch network supports a customer base of over 275,000 customers, providing access to leasing, Gold Loans, Micro Finance, Fixed Deposits, Savings and Land & Housing financial solutions.



**North Central Province**
Anuradhapura
Galenbindunuwewa
Kekirawa
Medawachchiya
Nochchiyagama
Padaviya
Polonnaruwa

**Northern Province**
Jaffna
Kilinochchi
Mallavi
Mannar
Mullaitivu
Nelliady
Vavuniya

**North Western Province**
Chilaw
Galgamuwa
Kuliyapitiya
Kurunegala
Kurunegala Metro
Marawila
Nikaweratiya
Norochcholai
Puttalam
Wennappuwa

**Central Province**
Dambulla
Hatton
Kandy
Katugastota
Matale
Nawalapitiya
Nuwara Eliya
Rikillagaskada

**Western Province**
Avissawella
Bandaragama
Borella
City
Gampaha
Gampaha 2
Head Office Branch
Homagama
Horana
Maharagama
Piliyandala
Ja-Ela
Kaduwela
Kalutara
Kiribathgoda
Mathugama
Moratuwa
Negambo
Nittambuwa
Panadura
Wattala

**Eastern Province**
Ampara
Batticaloa
Dehiattakandiya
Kalmunai
Kanthale
Pottuvil
Trincomalee

**Uva Province**
Badulla
Bandarawela
Mahiyanganaya
Monaragala
Welimada

**Southern Province**
Ambalangoda
Beliatta
Galle
Ambalantota
Matara
Morawaka
Tissamaharama

**Sabaragamuwa Province**
Balangoda
Embilipitiya
Kegalle
Ratnapura

## Manufactured Capital



*Galgamuwa Gold loan Centre opening after the renovation*

The Channel Management Division conducts an annual strategic analysis of the Company's business expansion plans. Based on the analysis and the strategic direction given by the Board for FY 2025/26, the Company resolved to optimise its existing branch network, with the objective of enhancing customer reach, product accessibility, and service delivery. As part of this optimisation initiative, the operations of the Nedunkerni, Pitigala, and Walapane branches were integrated into the existing branch network, enhancing operational efficiency and resource utilisation.

In parallel, and in line with the objective of improving service quality across the branch network, investments were made for branch refurbishment initiatives. Gold loan services centres at Pothuvil, Nikaweratiya, Monaragala, Rikillagaskada, and Galgamuwa were rearranged and renovated while Matale, Kaduwela, Ampara and Mahiyanganaya branches were also renovated during the year. These developments improved customer experience, service quality, and brand visibility across the branch network.

### Centre model and regional reach

In addition to its physical branch presence, HNBF continues to operate the Centre Model, a distinctive outreach model that brings financial services closer to customers in remote rural communities with limited access to brick-and-mortar branches. This enables the Company to reduce geographic barriers to financial access while strengthening long-term relationships with underserved customer segments.

## Online presence

Apart from its physical presence, the Company further expanded customer reach through the launch of internet banking on the 6th of June 2025. These digital platforms have enhanced customer convenience by providing an improved and seamless banking experience, thereby contributing to higher overall customer satisfaction. At present, the mobile and internet banking platforms have attracted a growing user base, while the value of transactions conducted through these platforms amounts to LKR 743 Mn.

## Branch operations

As the Company continued its strategic transformation towards a secured lending business model, the branch network played a pivotal role in supporting business growth and service delivery. HNB Finance's extensive network of 76 branches across the country provides a strong operational platform to deliver financial solutions to a diverse customer base while enhancing accessibility and market reach. To support increasing business volumes, branches were continuously strengthened through investments in infrastructure, technology, operational systems, and process improvements, enabling the efficient delivery of leasing, gold loan, and other financial services. This widespread presence not only enhances customer convenience and engagement but also supports business expansion, portfolio growth, and sustainable value creation across the regions in which the Company operates.

### Operations support services

#### Procurement

HNBF's procurement practices support the development, maintenance, and protection of Manufactured Capital. Goods and services are procured with a focus on value for money, quality, timely delivery, fairness, transparency, and compliance with the Board-approved Procurement Policy. During FY 2025/26, no suppliers were blacklisted, reflecting the Company's commitment to ethical sourcing and responsible supplier relationships.

#### Insurance services

Insurance services form an important layer of protection for both customers and Company-owned assets. HNBF facilitates insurance for leased vehicles, supporting mandatory coverage requirements while protecting customers and the Company from financial exposure in the event of accidents or total loss.

The Company also maintains insurance coverage for physical and operational assets, strengthening institutional resilience and supporting business continuity in the event of disruptions. This approach supports customer confidence, regulatory compliance, financial stability, and operational protection.

#### Office infrastructure, transport and security

HNBF's office infrastructure covers interior design, construction, renovation, maintenance, and improvement of branch and operational facilities. During the year, infrastructure improvements focused on enhancing customer experience, staff productivity, and operational readiness. In order to ensure minimal disruptions to business operations, the Kaduwela Branch that was severely impacted by Cyclone Ditwah and was subsequently refurbished in an efficient manner, demonstrating the Company's ability to promptly and effectively restore infrastructure affected by unexpected disaster.

The transport function is supported by 12 Company-owned vehicles and 4 outsourced vehicles, mainly used for promotional activities, credit recovery functions, and internal audit engagements. This strengthens field-level responsiveness, operational agility, and regional support.

Security remains a key priority to the Company. All 76 branches are equipped with CCTV systems, with footage retained for 90 days. No security-related incidents were reported during FY 2025/26, reflecting the effectiveness of the Company's surveillance and control mechanisms.

## Technology and asset management

Technology has become an integral component of HNBF's Manufactured Capital, supporting operational efficiency, service delivery, and process optimisation. The LOS platform supports faster and more paperless processing across leasing operations, while online payment channels and savings-account-based collections reduce operational complexity at branch level. These initiatives improve service convenience, reconciliation efficiency, data quality, and customer responsiveness.

HNBF also continues to optimise asset useful life through periodic reassessment, preventive maintenance, standardisation of equipment, Annual Maintenance Contracts, vendor service-level monitoring, sustainable asset practices, and timely disposal of ageing or high-maintenance assets. These measures support cost efficiency, operational continuity, and responsible asset utilisation.

### Investments in digital infrastructure

Digital infrastructure is an increasingly important component of HNBF's Manufactured Capital. With the implementation of the Core Banking Solution, the Company expects to streamline processes, improve efficiency, enhance service delivery, and support future web-based applications, including solutions for gold loans and microfinance services.

### Software Defined Wide Area Networks (SD-WANs)

From a technological perspective, the Company has modernised its high-speed connectivity infrastructure through the implementation of Software-Defined Wide Area Networks (SD-WANs), thereby enhancing system resilience, flexibility, and responsiveness. These advancements have contributed to strong IT operational performance, including the achievement of 100% system uptime during the reporting period.

## Disaster preparedness and business continuity

Manufactured Capital is central to HNBF's disaster preparedness and business continuity readiness. The Company maintains systems and processes to protect physical infrastructure, digital assets, employees, customers, and critical operations during disruptions. This includes Business Continuity Plans, Disaster Recovery arrangements, Business Impact Analysis, infrastructure resilience, insurance coverage, secure data backups, communication arrangements, and power supply mechanisms.

### Business continuity management (BCM)

The Company's BCM facilitates a structured and proactive approach to continuity planning by clearly defining critical business functions, supporting units, and assigned responsibilities. This ensures the timely restoration of essential operations in the event of any disruption.

### Business impact analysis

A detailed Business Impact Analysis (BIA) was also carried out to map mission-critical units, core operational systems, processes, and required resources. The exercise established clear Recovery Time Objectives (RTOs) and Recovery Point Objectives (RPOs), which are essential to ensuring business continuity. These recovery strategies are periodically reviewed to maintain their relevance and effectiveness.

### Cybersecurity drill

The Cybersecurity Drill for HNBF was conducted by TechCert in June 2025 with the objective of familiarising participants with the latest cyber threats, providing hands-on exposure to real-world cyberattack scenarios, enhancing cybersecurity readiness and response capabilities, encouraging information sharing among trusted stakeholders, and supporting the strengthening and scaling of the organisation's IT security framework through the identification of improvement areas.

The drill followed a structured process, which included forming and agreeing on participating teams, defining performance metrics, developing exercise scenarios and injects, preparing participant guidance materials, executing the exercise, capturing feedback, and identifying key lessons learned for future enhancement.

### Fire safety training sessions

In addition, employee preparedness was enhanced through targeted emergency response training. Fire safety training sessions were conducted focusing the fire wardens at the Head Office for a duration of 76 hours on fire prevention and emergency response procedures. The participants were equipped to cascade the acquired knowledge to their respective teams. A practical fire drill was also carried out to reinforce learning and ensure the effective application of the training.

### Climate disaster readiness

HNBF also acknowledges the increasing risks associated with climate volatility. As part of its commitment to climate disaster preparedness, the Company has strengthened its facility infrastructure through the implementation of disaster-resilient floor plans and structurally reinforced buildings. Further, the Company has taken initiatives to align with SLFRS S1 and S2 and thereby identify, measure and mitigate climate related risks. These measures ensure that physical assets are better equipped to withstand extreme weather events and climate-related shocks, thereby enhancing overall operational resilience.

### Data backups, communication systems and power supply arrangements

HNBF's disaster preparedness framework includes secure data backup mechanisms, emergency communication systems, alternative power supply arrangements, and regular staff training programmes. These measures have been effective in ensuring operational continuity, with system downtime consistently maintained within industry benchmark levels.

## Sustainability integration

Manufactured Capital plays an important role in advancing HNBF's sustainability agenda by reducing the environmental footprint of physical infrastructure and embedding resource efficiency into operations. The Company continues to promote digital workflows, reduced

manual documentation, responsible procurement, energy-efficient equipment, asset lifecycle optimisation, and refurbishment and reuse practices.

The progressive shift towards digital service delivery also supports sustainability by reducing paper-based processes, limiting unnecessary customer branch visits, and improving operational efficiency. Lean management practices further support this by streamlining processes, reducing manual intervention, improving branch workflows, and lowering paper and printer usage. During the year, HNBF also initiated structured GHG emissions measurement, strengthening its ability to identify environmental hotspots, improve monitoring, and support future carbon reduction strategies in line with emerging sustainability disclosure expectations.

As the Company strengthens ESG integration, future capital allocation decisions are expected to increasingly consider sustainability principles, risk management priorities, and long-term value creation.

### Energy-efficient lighting and equipment

HNBF continues to adopt energy-efficient equipment and improved facility practices where feasible, supporting lower operating costs and more responsible resource use. These efforts align with the Company's broader sustainability direction and ongoing commitment to operational efficiency.

### Sustainable procurement practices

Procurement practices are progressively aligned with responsible sourcing principles, including value-for-money, durability, lifecycle considerations, and supplier reliability. Future digitisation of procurement is expected to further improve transparency, efficiency, and compliance.

### Waste management and recycling

The Company continues to support responsible waste handling and recycling practices through operational controls and environmentally responsible asset management. HNBF also promotes the recycling of paper and other office waste across its operations, helping reduce landfill disposal and improve resource efficiency. Digitalisation, workflow automation, and paper reduction initiatives further contribute to lower resource consumption and improved environmental performance.




### Lean management culture

HNBF continues to promote efficiency-driven practices across operations by streamlining workflows, reducing manual interventions, improving branch processes, and embedding digital tools. These initiatives support both operational performance and sustainability by improving productivity, reducing unnecessary resource usage, and lowering paper and printer usage across our day-to-day operations.

### Advancing solar energy generation across operations

Demonstrating its commitment to renewable energy adoption and carbon footprint reduction, HNBF continued to generate solar power through in-house installed solar panels. Renewable energy supports reduced dependence on conventional electricity sources while promoting cleaner and more sustainable energy consumption.

Solar power generation also contributes towards long-term energy cost reduction and lower greenhouse gas emissions associated with electricity usage. HNBF will continue to explore opportunities to expand renewable energy adoption and strengthen environmental sustainability across its operations.

### Improving resource efficiency through GHG emission measurement

Recognising the increasing importance of climate accountability, HNBF introduced structured greenhouse gas (GHG) emission measurement practices during the year. By quantifying emissions generated through operational activities, the Company has strengthened its ability to identify environmental hotspots and enhance resource efficiency across its operations. This data-driven approach enables more informed decision-making, improves monitoring capabilities, and supports the optimisation of resource usage.

The initiative also enhances the accuracy of environmental data and preparedness for future climate-related disclosures, while reinforcing the Company's broader sustainability agenda by establishing a strong foundation for future carbon reduction and efficiency improvement strategies.

## Risk management and opportunity response

HNBF's approach to Manufactured Capital risk management focuses on protecting the Company's physical and digital infrastructure while identifying opportunities to improve resilience, efficiency, customer access, and long-term asset utilisation.

Key risks to manufactured capital include infrastructure downtime, branch damage due to climate events, rising maintenance and energy costs, cybersecurity and system availability risks, vendor dependency, inappropriate procurement practices, asset obsolescence, regulatory non-compliance, and increasing competition from digital-first financial service providers.

The Company's strengths in managing these risks include a strong semi-urban and rural reach, structured network management through the Channel Management Division, secure branch infrastructure, CCTV coverage across all branches, preventive maintenance practices, procurement infrastructure and governance, insurance coverage, LOS-enabled process improvements, growing digital infrastructure, internal audits, regulatory compliance, technology resilience, and disaster preparedness.

However, HNBF also recognises areas that require continued strengthening. These include the cost and maintenance requirements of the physical branch network, customer segments that remain dependent on branch-based service, gradual digital channel adoption in some markets, and the need for sustained capital allocation to infrastructure and technology upgrades.

## Risk and opportunity response

| Risk/opportunity | HNBF response |
|---|---|
| Infrastructure downtime | Preventive maintenance, Annual Maintenance Contracts (AMCs), inspections, vendor Service Level Agreements (SLAs), and timely repairs |
| Physical security risk | CCTV systems across all branches, 90-day footage retention, incident monitoring, and security controls |
| Asset obsolescence | Lifecycle reassessment, standardisation, reuse, refurbishment, and timely disposal |
| Climate and disaster risk | BCP, DR, BIA, insurance coverage, branch repair, climate disaster readiness, initiatives for SLFRS S1 and SLFRS S2 implementation and infrastructure resilience |
| Procurement and vendor risk | Board-approved Procurement Policy, supplier monitoring, ethical sourcing, and planned procurement automation |
| Customer access opportunity | Branch optimisation, Centre Model outreach, gold loan centers rearrangement and renovation, and digital service channels |
| Efficiency gain | LOS, online payments, savings-account-based collections, digitised approvals, dashboards, and lean management practices |

# Future priorities

## Short term

In the short term, HNBF will focus on strengthening existing infrastructure, improving customer experience, and enhancing staff productivity across the branch network. HNBF plans to pursue selective branch expansion in two high-potential business areas and relocate three branches to locations with stronger customer traffic, higher commercial activity, better visibility, parking availability, and improved accessibility. These initiatives are expected to support business volumes, customer convenience, and branch-level productivity.

HNBF also plans to introduce a Procurement Management System to streamline and digitise procurement processes, improving efficiency, transparency, compliance, and auditability across the procurement lifecycle.

The Company will also continue to improve operational efficiency through increased utilisation of LOS, digital payment channels, savings-account-based instalment collections, and better branch-level process integration. These initiatives will support faster service, reduced operational complexity, and improved customer convenience.

## Medium term

The Company will prioritise technology-driven operations, including Core Banking-enabled process improvements, secure branch network connectivity through Secure Access Service Edge, mobile-based loan origination, digital and mobile banking, digitised payment approval, procurement automation, and branch-wise business intelligence dashboards.

## Long term

In the long term, HNBF aims to build a resilient, digitally enabled, customer-centric, and sustainability-conscious infrastructure model that preserves the value of physical engagement while scaling digital convenience. This will support financial inclusion, operational efficiency, risk discipline, sustainability, and long-term stakeholder value creation.

The Company's long-term aspiration is to ensure that Manufactured Capital remains a durable platform for sustainable growth by strengthening infrastructure governance, digital connectivity, disaster preparedness, energy efficiency, resource optimisation, asset durability, and customer access across Sri Lanka.

# Human Capital

**Our Human capital acts as a key strategic enabler of business resilience, disciplined execution, and sustainable value creation. HNBF's approach to attracting, retaining, and developing a future-ready workforce is aligned with our strategic transition toward a more resilient, secured, and risk-calibrated business model. We continue to strengthen employee capabilities in credit, collections, risk management, digital adoption, and customer engagement, while fostering a performance-driven, inclusive, and engaged culture that respects individual aspirations, well-being, and long-term growth.**

## HIGHLIGHTS

- Achieved Great Place to Work certification for the 6th time, recognising HNBF's commitment to building a positive, inclusive, and growth-oriented workplace.
- Strengthened performance culture and people governance through a refined and consistent performance management approach aligned with organisational priorities.
- Enhanced leadership depth and succession readiness by developing high-potential employees through structured leadership development and targeted coaching interventions.
- Improved workforce stability and capability alignment through focused engagement initiatives, internal career progression, and proactive talent pipeline management.
- Advanced organisation-wide capability building with emphasis on leadership, digital and system-related skills, risk awareness, and operational effectiveness.
- Progressed inclusion, wellbeing, and institutional resilience through consolidated HR policies, employee wellbeing initiatives, and a strong, value-driven workplace culture.



## Management approach

During FY 2025/26, HNBF's Human Capital strategy was guided by the theme "Empowering People, Elevating Performance, Ensuring Sustainability". The Company focused on building a skilled, engaged, and high-performing workforce through disciplined workforce planning, targeted talent acquisition, continuous capability development, and strengthened employee engagement. Greater emphasis was placed on performance management, leadership development, and digitalisation of HR processes to improve operational efficiency, organisational agility, and alignment between people capabilities and business priorities.

This approach supports the Company's broader transformation towards a more resilient, secured, and risk-calibrated business model, where sustainable growth depends on workforce capability, execution discipline, and cross-functional alignment.

## Analysis of the human capital influence on other capitals

**FINANCIAL CAPITAL**

Supported financial resilience by strengthening execution discipline and branch productivity.

**INTELLECTUAL CAPITAL**

Training, leadership development, succession planning, coaching and cross-functional collaboration strengthened the Company's internal knowledge base.

**MANUFACTURED CAPITAL**

Employees enabled the effective use of HNBF's branch network, digital tools, LOS, Core Banking readiness and operational infrastructure.

**SOCIAL AND RELATIONSHIP CAPITAL**

Engaged and capable employees strengthened customer relationships through responsive service, responsible lending, complaint handling, financial literacy, and community engagement.

**NATURAL CAPITAL**

Employees contributed to Natural Capital by supporting responsible resource use, digital documentation, and sustainability awareness.



## Stakeholder impact

- Employees
- Community and Environment
- Customers
- Regulators
- Shareholders
- Suppliers

## Commitment to SDGs

## Creating value within the Company

HNBF's Human Capital is a core enabler of strategy execution, operational resilience, customer service quality, and sustainable business growth. As the Company continues its transition towards a more resilient, secured, and risk-calibrated business model, its people remain central to strengthening credit quality, improving recovery performance, supporting digital adoption, and delivering consistent service across the branch network and Head Office functions. During FY 2025/26, this focus was reflected through the Company's continued investment in workforce capability, employee engagement, leadership development, succession readiness, and wellbeing.

The Company's workforce of 1,907 employees supports HNBF's island-wide operations and customer reach. This geographically dispersed employee base enables the Company to remain close to customers across urban, semi-urban, and rural markets, while maintaining the relationship-based service model that continues to differentiate HNBF in the financial services sector. Human Capital also contributes to operational consistency by strengthening skills in key areas such as credit, leasing, collections, risk management, digital systems, and customer engagement.

During the year, HNBF invested LKR 36 Mn. in training and development, delivering 48,974.5 training hours, with an average of 26 training hours per employee excluding e-learning. Leadership continuity was strengthened through the High Flyers/Managerial Talent Development Programme, which supported 38 high-potential managerial employees, while 5 identified successors received targeted coaching to improve role readiness and leadership effectiveness. These investments help protect institutional knowledge, reduce key-person dependency, and strengthen the Company's ability to execute its transformation agenda.

Human Capital also preserves value by supporting workforce stability, engagement, and employee wellbeing. Attrition improved from 17.79% in FY 2024/25 to 16.10% in FY 2025/26, reflecting the impact of engagement, development, retention, and reward-related initiatives. Employee engagement was further reinforced through 15 engagement activities, while the Employee Engagement Satisfaction Survey recorded above 95% favourable responses, with over 80% of employees willing to recommend engagement activities.

At the same time, HNBF recognises that developing Human Capital requires strategic trade-offs. Investments in training, wellbeing, remuneration alignment, succession planning, leadership development, and employee engagement increase near-term costs and management effort. However, these investments support long-term value by improving productivity, strengthening retention, enhancing service quality, reducing operational risk, and building a future-ready workforce capable of sustaining the Company's transformation journey.

### Value creation model

| Value Contribution | Value Preservation | Value Trade-Offs |
|---|---|---|
| Human Capital contributes to business performance by strengthening execution discipline, customer service quality, credit evaluation, collections, risk management, digital adoption, and leadership capability. | Value is preserved through retention initiatives, succession planning, knowledge transfer, employee wellbeing, fair HR practices, and structured capability development. | People development, wellbeing, remuneration, and engagement initiatives require ongoing investment, but support long-term productivity, morale, business continuity, and organisational resilience. |

### Performance snapshot

| Indicator | FY 2025/26 |
|---|---|
| Total workforce | 1,907 employees |
| Training investment | LKR 36 Mn. |
| Total training hours | 48,974.5 hours |
| Average training hours per employee | 26 hours excluding e-learning |
| High-potential managerial employees trained | 38 |
| Identified successors coached | 5 |
| Attrition rate | 16.10% |
| Engagement survey favourable responses | Above 95% |
| Engagement activities conducted | 15 |

## Creating value beyond our business

HNBF's Human Capital creates value beyond the organisation by shaping the quality, reliability, and responsibility of the Company's engagement with customers, communities, regulators, shareholders, and business partners. Employees are the primary link between the Company and its stakeholders, translating HNBF's strategy, values, governance standards, and customer commitments into everyday service delivery.

For customers, Human Capital creates value through knowledgeable, responsive, and ethical service. Employees support customers by providing product guidance, facilitating responsible lending, handling queries and complaints, and enabling access to financial solutions that are suitable to customer needs and repayment capacity. As HNBF strengthens its focus on secured lending, leasing, gold loans, digital platforms, and responsible financial solutions, employee capability becomes essential to ensuring that growth remains customer-centric and sustainable.

For communities, HNBF's employees contribute through financial literacy, volunteerism, wellbeing initiatives, and social responsibility activities. These programmes helped improve awareness on savings and financial planning, reinforcing HNBF's role in promoting financial inclusion and community empowerment.

Our Human Capital also created value beyond the business through employee-led and community-focused initiatives. During the year, the Company's blood donation programme brought together employees in support of national healthcare needs, helping strengthen a critical, life-saving supply for people with healthcare needs. In Addition, the Company's welfare response to adverse weather events including flood relief assistance, housing assistance fund, and support through a staff led donation campaign. Together these initiatives reflect the Company's people-driven commitment to community wellbeing, education, and responsible citizenship.

For regulators and shareholders, Human Capital creates value through stronger compliance awareness, ethical conduct, risk discipline, productivity, and leadership continuity. Employees support the Company's ability to comply with regulatory expectations, maintain service standards, manage credit and operational risks, and preserve stakeholder confidence. For business partners, a capable and professional workforce enables more efficient coordination, reliable service delivery, and stronger long-term relationships.

HNBF's Human Capital also supports the Company's alignment with the Sustainable Development Goals.

### Stakeholder value and SDG alignment

| Stakeholder | Value created through human capital | SDG alignment |
|---|---|---|
| Customers | Better service quality, responsible lending, clearer communication, and stronger relationship-based engagement |  |
| Communities | Financial literacy, volunteerism, social wellbeing, initiatives such as blood donation programmes, and support for underserved groups |  |
| Employees | Career development, wellbeing, inclusion, leadership opportunities, fair workplace practices, and volunteer campaigns such as providing flood relief assistance, the Housing Assistance Fund; a staff-led donation campaign |  |
| Shareholders | Improved productivity, leadership continuity, retention, and stronger execution of strategy |  |
| Regulators | Stronger compliance culture, ethical conduct, and risk-aware decision-making |  |
| Business Partners | Professional coordination, service reliability, and stronger operational relationships |  |

## Governance

Human Capital governance at HNBF is anchored in a structured oversight framework that promotes fairness, consistency, transparency, and accountability across all people-related decisions. The Board of Directors provides overall direction through the Board Human Resources and Remuneration Committee, while the Managing Director/CEO and the Chief Human Resources Officer are responsible for translating governance expectations into policy implementation, day-to-day people management, and employee-related decision-making.

### HR Governance Structure

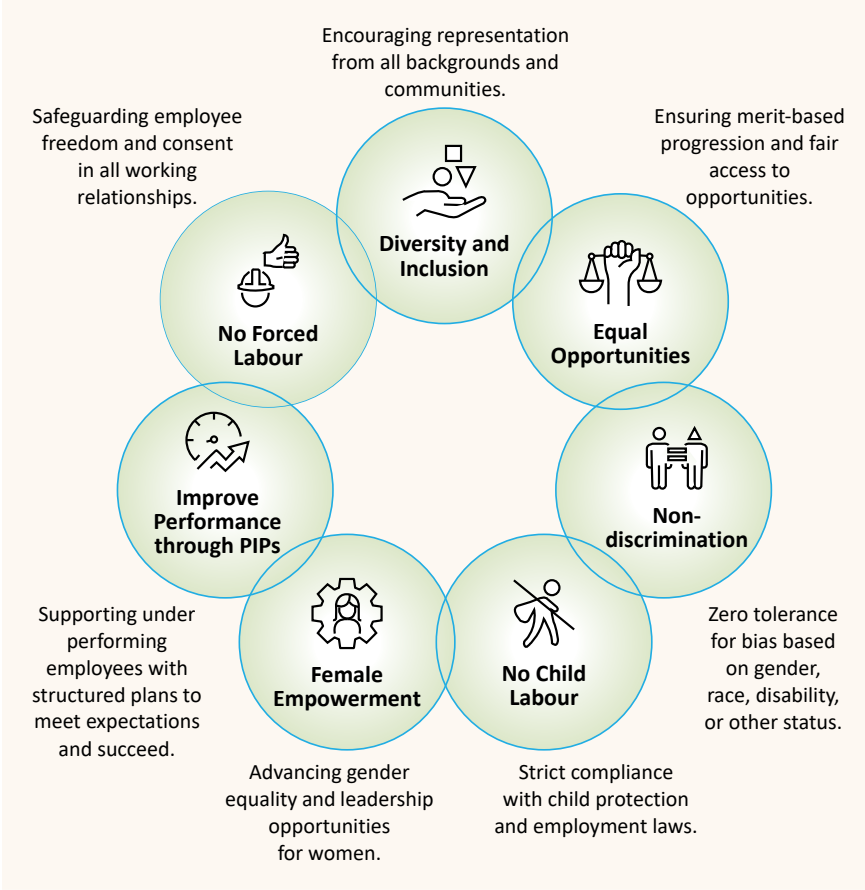
- Board of Directors
- Board Human Resources and Remuneration Committee
- Managing Director/CEO
- Chief Human Resources Officer

This structure ensures that key areas such as recruitment, remuneration, performance evaluation, promotions, disciplinary processes, employee development, grievance handling, and workplace conduct are managed within clearly defined policies and approval frameworks. The Employee Handbook, HR Manual, Remuneration Policy, performance management frameworks, and related HR procedures provide the foundation for consistent and equitable practices across the organisation.

Through this governance framework, HNBF ensures that Human Capital practices remain aligned with regulatory requirements, internal controls, ethical workplace principles, and the Company's broader responsibility to maintain a professional, inclusive, and accountable work environment.

## Best practices

HNBF's Human Capital practices are built on a foundation of integrity, fairness, inclusivity, and respect for human rights. The Company continues to foster a workplace culture that promotes ethical conduct, equal opportunity, gender equity, employee well-being, and performance accountability. These practices support internal harmony while reinforcing alignment with national labour laws, regulatory expectations, and recognised governance standards.

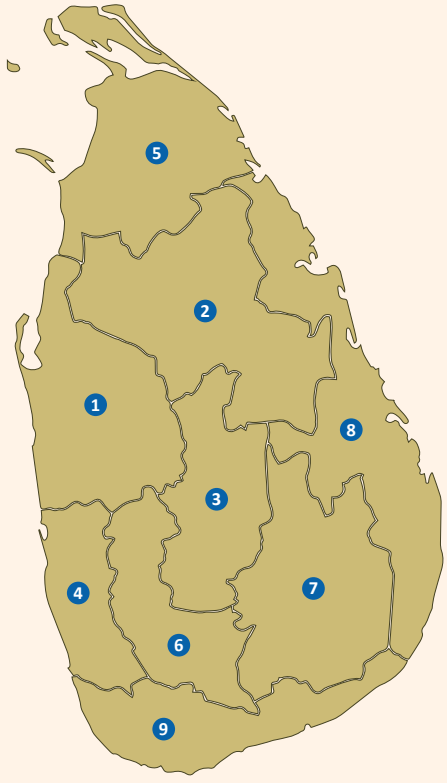



The Company's best practices are reflected through its continued commitment to diversity and inclusion, merit-based progression, non-discrimination, prevention of child and forced labour, female empowerment, and structured support for performance improvement. Performance Improvement Plans (PIPs), leadership development initiatives, succession planning, employee engagement activities, and wellbeing programmes further reinforce a culture of accountability, care, and continuous improvement.

## Our people, culture, and capability development

HNBF's workforce is deployed across the country through a geographically dispersed structure that supports the Company's island-wide operations and customer reach. Employees are represented across all key provinces ensuring that the Company maintains the human resource capacity required to serve both urban and rural customer segments effectively.

### Our workforce by region




**1. NORTH WESTERN**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 127 | 8 | 135 |
| | 29 | 2 | 31 |

**2. NORTH CENTRAL**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 106 | 9 | 115 |
| | 20 | 4 | 24 |

**3. CENTRAL**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 81 | 8 | 89 |
| | 22 | 1 | 23 |

**4. WESTERN**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 577 | 19 | 596 |
| | 222 | 10 | 232 |

**TOTAL**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 1,413 | 97 | 1,510 |
| | 373 | 24 | 397 |

**5. NORTHERN**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 119 | 10 | 129 |
| | 12 | 1 | 13 |

**6. SABARAGAMUWA**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 85 | 5 | 90 |
| | 22 | – | 22 |

**7. UVA**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 82 | 14 | 96 |
| | 10 | 2 | 12 |

**8. EASTERN**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 74 | 8 | 82 |
| | 9 | 1 | 10 |

**9. SOUTHERN**

| | Full Time | Contract | Total |
|---|---|---|---|
| | 162 | 16 | 178 |
| | 27 | 3 | 30 |

## Age and gender analysis by staff

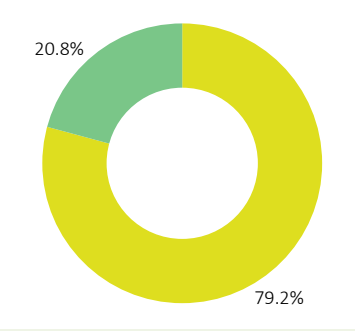
HNBF's workforce reflects a balanced mix of age groups, combining youthful energy with experience and institutional knowledge. This diversity supports knowledge sharing, leadership continuity, innovation, and effective engagement with customers across different segments.

| | Under 30 | | 30-50 | | Over 50 | | Total | |
|---|---|---|---|---|---|---|---|---|
| Employee Category | Male | Female | Male | Female | Male | Female | Male | Female |
| Leadership | – | – | 1 | – | 1 | – | 2 | – |
| Deputy General Manager | – | – | 5 | – | 3 | – | 8 | – |
| Assistant General Manager | – | – | 6 | 2 | – | 1 | 6 | 3 |
| Chief Manager | – | – | 17 | 2 | 5 | – | 22 | 2 |
| Senior Manager | – | 1 | 45 | 2 | 9 | – | 54 | 3 |
| Manager | 6 | 3 | 148 | 13 | 5 | 1 | 159 | 17 |
| Assistant Manager | 88 | 22 | 284 | 37 | 7 | 1 | 379 | 60 |
| Supervisor/Executive Level | 198 | 112 | 229 | 42 | 6 | 1 | 433 | 155 |
| Officer | 292 | 126 | 56 | 10 | 1 | – | 349 | 136 |
| Assistant | 80 | 20 | 9 | – | 9 | 1 | 98 | 21 |
| **Total** | 664 | 284 | 800 | 108 | 46 | 5 | 1,510 | 397 |

| | 2025/26 | 2024/25 |
|---|---|---|
| Number of employees | 1,907 | 1,931 |
| Number of new recruits | 619 | 661 |
| Employee diversity (Male:Female) | 3.8:1 | 4.5:1 |
| Average service period per employee | 5.14 | 5.12 |
| Accumulated service period of employees (years) | 9,797 | 9,889 |

HNBF continues to champion diversity through inclusive hiring, targeted outreach, and cultural awareness initiatives aligned with its broader Diversity, Equity and Inclusion agenda. These efforts have contributed to a gradual improvement in female representation across several employee categories, reflecting the Company's commitment to fostering a more inclusive, equitable, and opportunity-driven workplace.

## Gender Representation across the Organisation




| Gender representation at different organisational levels in FY 2025/26 | Male | Female |
|---|---|---|
| Leadership | 2 | – |
| Deputy General Manager | 8 | – |
| Assistant General Manager | 6 | 3 |
| Chief Manager | 22 | 2 |
| Senior Manager | 54 | 3 |
| Manager | 159 | 17 |
| Assistant Manager | 379 | 60 |
| Supervisor/Executive Level | 433 | 155 |
| Officer | 349 | 136 |
| Assistant | 98 | 21 |

| Gender parity indicators | 2025/26 % | 2024/25 % |
|---|---|---|
| Female representation at Assistant General Manager | 33 | 22 |
| Female representation at Chief Manager | 8 | 8 |
| Female representation at Senior Manager | 5 | 8 |
| Female representation at Manager | 10 | 9 |
| Female representation at Assistant Manager | 14 | 12 |
| Female representation at Executive | 26 | 19 |
| Female representation at Officer | 28 | 27 |
| Female representation at Assistant | 18 | 21 |

HNBF continues to support gender parity by maintaining workplace practices that enable employees to balance career and family responsibilities. In FY 2025/26, 397 employees were entitled to parental leave, while all 7 employees who took parental leave returned to work, resulting in a 100% return-to-work and retention rate. This reflects the Company's commitment to fostering an inclusive, supportive, and family-friendly work environment.

| | 2025/26 | 2024/25 | 2023/24 |
|---|---|---|---|
| Total number of employees that were entitled to parental leave | 397 | 351 | 330 |
| Total number of employees that took parental leave | 7 | 9 | 10 |
| Total number of employees that returned to work in the reporting period after parental leave ended | 7 | 7 | 8 |
| The total number of employees that returned to work after parental leave ended were still employed 12 months after their return to work | 7 | 7 | 6 |
| Return to work and retention rates of employees that took parental leave (%) | 100 | 78 | 80 |

# Human Capital

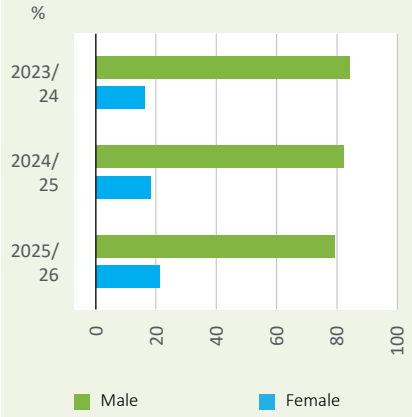
HNBF remains committed to promoting a safe, respectful, and inclusive workplace through strict anti-discrimination policies and equitable people practices. During the year under review, no incidents of discrimination were reported. The Company also continued to celebrate diverse cultural events and festivals, fostering inclusivity, belonging, and appreciation of the varied cultural backgrounds represented across its workforce.

## Gender representation by function

| Function | Male | Female |
|---|---|---|
| Business Transformation | 9 | 6 |
| Channel Management | 145 | – |
| Compliance and Governance | 2 | 3 |
| Credit | 16 | 6 |
| Credit Administration | 29 | 11 |
| Customer Fulfillment | 2 | 5 |
| DCEO office | 11 | 1 |
| Direct Portfolio Management | – | 8 |
| Facilities Management | 197 | 161 |
| Finance | 24 | 12 |
| Fixed Deposits and Savings | 47 | 15 |
| Gold Loan | 103 | 72 |
| Land and Housing Financial Solutions | 5 | 10 |
| Human Resources | 8 | 9 |
| Internal Audit | 11 | 6 |
| Leasing | 195 | 3 |
| Legal | 3 | 8 |
| Marketing | 5 | 1 |
| MD/CEO office | 2 | 6 |
| Micro Finance | 376 | 1 |
| Recoveries | 270 | 44 |
| Risk management | 4 | 5 |
| Savings | 12 | – |
| Technology | 34 | 4 |

HNBF has made steady progress in achieving more equitable gender representation across the organisation over the years.

### Gender representation




## Talent acquisition and retention

At HNBF, talent acquisition is a strategic process aimed at building a capable and future-ready workforce aligned with the Company's evolving business priorities. During FY 2025/26, recruitment was guided by disciplined workforce planning, approved headcount governance, and the need to strengthen critical capabilities in areas such as credit, collections, risk management, digital adoption, and customer engagement. This supported the Company's transitions towards a more resilient, secured, and risk-calibrated business model.

The Company continued to adopt a structured and fair recruitment process supported by competency-based assessments, diversified sourcing channels, internal mobility, and a strong candidate experience. HNBF aims to improve recruitment efficiency by completing the hiring cycle within an average of 45 days and closing at least 95% of vacancies within agreed Service Level Agreements (SLA) timelines.

Retention remained a key focus amid a competitive labour market. Attrition improved from 17.79% in FY 2024/25 to 16.10% in FY 2025/26, supported by stronger engagement, career development opportunities, market-aligned remuneration, performance-based rewards, and leadership development initiatives.

### Key elements of our recruitment strategy

- Strategic Workforce planning
- Collaborative Hiring Process
- Diverse Sourcing Channels
- Employer Branding and Talent Attraction
- Structured and fair selection
- Commitment to Diversity and Inclusion
- Positive Candidate Experience
- Seamless Onboarding
- Internal Mobility and Talent Development

### Recruitments in 2025/26 by Province

| Province | Male | Female | Total | Male % | Female % |
|---|---|---|---|---|---|
| Central | 29 | 12 | 41 | 71 | 29 |
| Eastern | 28 | 5 | 33 | 85 | 15 |
| North Central | 38 | 7 | 45 | 84 | 16 |
| Sabaragamuwa | 25 | 12 | 37 | 68 | 32 |
| North Western | 47 | 16 | 63 | 75 | 25 |
| Northern | 48 | 7 | 55 | 87 | 13 |
| Southern | 47 | 14 | 61 | 77 | 23 |
| Uva | 32 | 4 | 36 | 89 | 11 |
| Western | 158 | 90 | 248 | 64 | 36 |
| **Total** | 452 | 167 | 619 | 73 | 27 |

## Employee engagement

HNBF's employee engagement approach is designed to foster an inclusive, connected, and value-driven workplace culture that supports morale, collaboration, and long-term organisational commitment. During FY 2025/26, the Company conducted an Employee Engagement Satisfaction Survey, which recorded above 95% favourable responses across key engagement indicators, while over 80% of employees expressed willingness to recommend engagement activities to colleagues. The survey also indicated healthy participation, with most employees taking part in one to five engagement activities during the year.

## Engagement activities

During the year, HNBF conducted 15 employee engagement activities aimed at strengthening interpersonal relationships, encouraging cultural appreciation, and promoting a "one family, one goal" mindset across the organisation. These included Sinhala and Tamil New Year celebrations, Vesak celebrations including Bhakthi Geetha and Dansala, a virtual music festival, Children's Day competitions, New Year Events, donation campaigns, International Women's Day celebrations, and a series of tri-religious observances marking the Company's 25th Anniversary.

These initiatives created opportunities for employees to engage beyond their formal roles, build connections across teams, and celebrate the Company's shared values and cultural diversity.

## Skill enhancement

As part of its employee engagement agenda, HNBF continued to create opportunities for employees to strengthen confidence and professional presence. During the year, the Company conducted the Speech Craft Programme, designed to improve public speaking, presentation skills, structured communication, and self-confidence among participants. The programme brought together 30 employees, all of whom successfully completed the programme and received certificates. This initiative supported both personal development and workplace effectiveness, reinforcing our commitment to build a more capable and engaged workforce.

## Communication

HNBF promotes engagement through structured communication channels that encourage openness, feedback, and alignment across the organisation. Regular branch visits, structured questionnaires, open discussions, employee surveys, and insights from Great Place to Work assessments provide employees with opportunities to raise operational concerns, workplace issues, and improvement ideas. Feedback gathered through these mechanisms is consolidated and discussed with Senior Management, enabling timely decisions, corrective actions, and continuous improvement.

## Wellness initiatives

Wellness initiatives formed an important part of HNBF's engagement agenda during the year, reflecting the Company's focus on supporting employees beyond their formal work responsibilities. Key initiatives included a medical eye check-up camp, a self-defence awareness workshop, a Women's Day mental health and resilience awareness session, and the introduction of a corporate fitness programme with sessions conducted twice weekly. These programmes supported physical health, personal safety, emotional resilience, and work-life balance.

## Employee feedback

Employee feedback is systemically incorporated into management decision-making through several formal and informal channels. Branch visits, the Reach HR feature, and scheduled employee engagement surveys provide management with insights that in turn feed into policy reviews, process improvements, wellbeing initiatives, and risk mitigation actions. These help ensure that employee experience is actively reflected in management decisions.

## Employee wellbeing

Training programmes were scheduled within working hours to support employee wellbeing and preserve personal time. Recreational and team building opportunities, including participation in a cricket tournament for Head Office and branch staff, along with a Sports Day for all HNBF staff.

## Family focused employee initiatives

The Company continued to recognise the importance of employees' families in strengthening workplace belonging and emotional connection. Family-oriented initiatives such as Children's Day competitions, staff family engagement activities, and festive celebrations provided opportunities for employees and their families to participate in the Company's wider engagement culture. In response to adverse weather events, HNBF also extended welfare support to affected staff families, including LKR 8 Mn. in flood relief assistance for 207 employees, a LKR 12 Mn. housing assistance fund for 12 damaged staff houses, and a staff-led donation campaign supporting 32 affected families in Nuwara Eliya.

## Volunteer and community engagement

Employee volunteerism and community engagement continued to strengthen HNBF's people-first culture and social responsibility agenda. During the year, employees contributed to initiatives such as the Blood Donation Campaign, where 151 participants took part and 112 successfully donated blood, as well as donation campaigns, Vesak dansal activities, and community-oriented programmes. These initiatives strengthened employee connection, promoted collective wellbeing, and reinforced HNBF's commitment to contributing positively to society.

Together, these engagement initiatives reflect HNBF's continued commitment to creating a workplace where employees feel valued, connected, and supported. By combining cultural celebrations, recognition platforms, wellbeing programmes, open communication channels, family-focused support, and community engagement, the Company continues to strengthen morale, belonging, and organisational pride. These efforts contribute towards a more engaged, resilient, and purpose-driven workforce capable of supporting HNBF's long-term transformation and value creation journey.

## Training and development

HNBF continued to strengthen employee capability through structured learning interventions aligned with the Company's transition towards a more secured, risk-calibrated, and digitally enabled business model. During FY 2025/26, the Company invested LKR 36 Mn. in training and development, delivering 48,974.5 training hours, with an average of 26 training hours per employee excluding e-learning. Training focused on leadership development, credit and leasing knowledge, digital and system-related skills, performance management, and frontline effectiveness.

The Company also addressed emerging skill gaps linked to the shift from microfinance to micro-leasing through targeted training, on-the-job learning, mentoring by experienced leasing staff, and branch exposure for trainee back-office employees. Leadership development remained a priority, with the Managerial Talent Development Programme "High Flyers Training Programme" conducted for 38 high-potential managerial employees, while five identified successors participated in specialised coaching to strengthen leadership effectiveness and readiness for higher responsibilities.

Training effectiveness was assessed through post-training feedback, pre- and post-training evaluations, formal assessments where relevant, line manager feedback, behavioural observations, and monitoring of workplace performance improvements, ensuring that learning translated into measurable capability enhancement and organisational impact.

### Key elements of our Training and Development Strategy

**Leadership Development**

High Flyers Programme for 38 high-potential managerial employees and coaching for 5 successors



**Digital and System Skills**

Capability building aligned with digitalisation and system enhancements

**Training Investment**

LKR 36 Mn. invested in learning and development

**Credit and Leasing Skills**

Targeted training to support the shift from microfinance to micro-leasing

**Training Hours**

48,974.5 total training hours, 26 average hours per employee excluding e-learning

## Key highlights of training and development in 2025/26

- Successfully conducted the Toastmasters Speechcraft Programme, enhancing employees' communication, public speaking, and leadership capabilities.
- Delivered the Six Sigma Yellow Belt Certification Programme to selected employees, strengthening process improvement and operational efficiency skills across functions.
- Completed the High Flyers Programme with certification, focusing on developing high-potential employees through structured learning and accelerated career progression pathways.
- Facilitated targeted Coaching Sessions for Key Responsible Personnel (KRPs) to strengthen leadership effectiveness, accountability, and performance outcomes.
- Conducted LOS (Loan Origination System) Application Training to improve operational efficiency, system utilisation, and service delivery standards.
- Implemented comprehensive Compliance and Regulatory Training programmes covering Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Terrorist Financing (TF), ensuring adherence to regulatory requirements and strengthening compliance culture practices.
- Conducted Loan Review Mechanism (LRM) related awareness sessions to branch managers to meet industry standards and minimise risk related impacts strengthening risk management practices.
- Delivered technology-driven training initiatives, including Email Etiquette, MS Excel, Power BI and Microsoft Office 365, to enhance digital capabilities, data-driven decision-making, and workplace productivity.
- Conducted special workshop "The Resilient Mind" parallel to Women's Day to all female staff to enhance their mental health.
- Advance Diploma in Credit Management for selected Branch Managers in partnered with SLICM
- Continued to promote a culture of continuous learning and development by aligning training initiatives with organisational priorities, regulatory expectations, and evolving employee skill requirements.

## Training programmes conducted in 2025/26

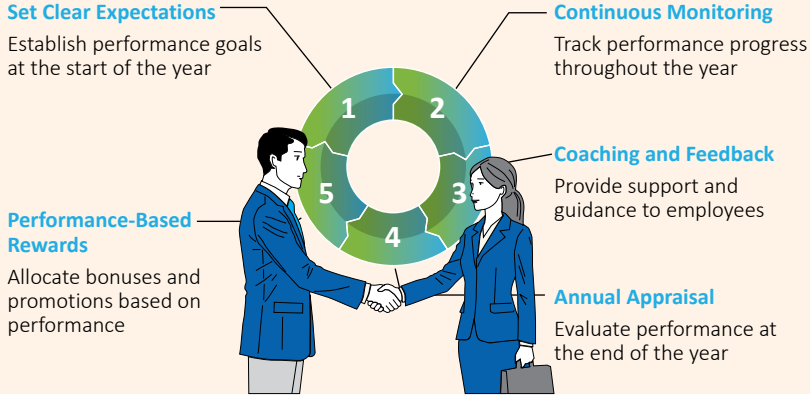
| Programme Type | Number of Training Sessions | Number of Participants | Number of Training Hours |
|---|---|---|---|
| Knowledge-based training | 95 | 5,575 | 21,471 |
| Employee orientation | 8 | 522 | 4184 |
| CBSL training | 13 | 36 | 224 |
| Product based training | 41 | 2,282 | 11,426 |
| Soft skills development programmes | 19 | 816 | 9,592 |
| Technical skills development programmes | 59 | 2,567 | 4,032 |
| Training on e-learning platforms | 20 | 675 | 1,341 |

## Remuneration and benefits

HNBF's performance management, remuneration and benefits framework is designed to align individual contribution with organisational priorities, risk discipline, business outcomes, and long-term workforce stability. The performance management process combines quantitative measures with behavioural and leadership expectations, particularly for managerial roles, ensuring a balanced and holistic approach to evaluation. Regular performance reviews and meaningful feedback help employees understand expectations, improve performance, and align their contribution with the Company's strategic priorities.

A key feature of HNBF's framework is the integration of structured Performance Improvement Plans (PIPs), positioning the Company among the early financial institutions in Sri Lanka to formally incorporate PIPs into its human capital strategy. These plans provide focused support for employees requiring performance enhancement, with clearly defined objectives, time-bound milestones, and continuous progress evaluations. This reinforces a culture of accountability, fairness, transparency, and continuous improvement.

### Performance management process



## Human Capital

The Company's remuneration structure is regularly reviewed to ensure market competitiveness, internal equity, role alignment, and performance relevance. It includes a balanced mix of fixed remuneration, performance-linked incentives, and non-monetary benefits, supporting talent attraction, retention, and employee accountability. During the year, compensation policies were further refined to align with strategic KPIs and evolving regulatory requirements, strengthening the link between reward, performance, governance, and organisational excellence.

Career progression also forms an important part of HNBF's reward and retention approach. Promotions were awarded across multiple employee categories, from Assistant to Assistant General Manager, reflecting the Company's commitment to recognising performance, enabling internal mobility, and creating clear pathways for career growth. Promotion data analysed by gender further supports HNBF's focus on fairness, transparency, and equal opportunity in people-related decisions.

### Standard benefits provided to all employees

- Salary
- Job-Related Allowances
- Reimbursement Expenses such as vehicle and fuel
- Incentives
- Bonuses
- Opportunities for career advancement and growth
- Opportunities for learning and development
- Reimbursement for Professional memberships
- Rewards and recognition programmes
- Library facilities
- Surgical and Hospitalisation cover
- Basic Life cover including Critical illness cover
- Staff Welfare Benefits
- Mobile Phone Benefits

| Employee promotions from category | Male | Female |
|---|---|---|
| Assistant General Manager | – | 1 |
| Chief Manager | 1 | – |
| Senior Manager | 13 | 1 |
| Manager | 17 | 4 |
| Assistant Manager | 83 | 4 |
| Executive | 154 | 55 |

The Company's reward and progression framework is further supported by structured career advancement opportunities across employee categories. During the year, promotions were awarded across multiple levels, from Assistant to Assistant General Manager, reflecting HNBF's commitment to recognising performance, strengthening internal mobility, and creating clear pathways for career growth. The promotion data, analysed by gender, also supports the Company's focus on fairness, transparency, and equal opportunity in people-related decisions, reinforcing the link between remuneration, performance recognition, and long-term employee retention.

### Succession planning

Succession planning remains a key pillar of HNBF's leadership continuity and talent development strategy. The Company identifies critical roles across business and support functions and works to ensure that suitable internal talent is developed to assume greater responsibility when required. This helps reduce key-person dependency, preserve institutional knowledge, and maintain continuity in strategic and operational decision-making.

The succession planning process is supported through role-based capability development, leadership exposure, coaching, performance reviews, and career progression opportunities. By aligning succession planning with future business needs, HNBF strengthens its leadership pipeline and ensures that employees with potential are prepared to support the Company's transformation, growth, and risk-calibrated operating model.

### Human rights and grievance mechanisms

HNBF is committed to upholding human rights and fostering a safe, respectful, and supportive workplace where every employee feels valued and heard. To support this commitment, the Company has established a comprehensive and accessible grievance handling framework that enables employees to raise concerns confidentially and without fear of retaliation.

The Company's multi-channel grievance mechanism, illustrated below, is designed to promote fairness, accountability, and transparency while reinforcing HNBF's commitment to ethical conduct and good governance.

| | |
|---|---|
| Direct Leadership Access | Employees can raise concerns directly with managers or senior team members for quicker guidance and resolution. |
| Reach HR Platform | A secure digital platform enables employees to submit, record, and track grievances in a structured manner. |
| Branch HR Coordinators | Designated coordinators act as accessible first points of contact for employees across the branch network. |
| One-on-One Branch Discussions | Branch visits provide employees with a confidential, face-to-face opportunity to discuss workplace concerns. |
| Independent Mediation Support | Non-HR mediation officers provide a neutral channel for employees who prefer an alternative route to raise concerns. |
| Anonymous Employee Surveys | Employees can share feedback and concerns candidly, supporting openness, trust, and continuous improvement. |

All grievances and concerns raised through these channels are reviewed promptly and addressed through a structured process, ensuring employees feel protected, respected, and supported throughout the resolution process.

## Retirement or termination process

HNBF seeks to ensure that employees exiting the organisation, whether through retirement, resignation, or termination, experience a respectful and well-supported transition. Adequate notice, guidance, and support are provided where applicable, while final settlements, gratuity, and statutory dues are processed in accordance with legal requirements and internal procedures. This approach reflects the Company's commitment to dignity, fairness, and compliance throughout the employee lifecycle.

## Great place to work certification

HNBF's commitment to building a positive, inclusive, and engaging workplace was externally recognised during FY 2025/26 through the Great Place to Work Certification for the 6th time, a globally recognised benchmark for workplace culture. This certification reflects the Company's efforts to foster trust, employee engagement, collaboration, and a supportive work environment. Such recognition reinforces HNBF's position as an employer that values its people and continues to invest in creating a workplace culture that supports performance, wellbeing, and long-term employee commitment.

## Employee health and safety

Our organisation remains committed to maintaining a safe, healthy, and supportive work environment that promotes the physical, mental, and social wellbeing of employees, customers, and visitors. To support this commitment, the Company maintains a dedicated Health, Safety, and Fire team at Head Office level, responsible for proactively overseeing workplace safety practices, identifying potential risks, implementing safety protocols, and fostering a culture of care and preparedness across the organisation.

# Human Capital

During FY 2025/26, HNBF continued to strengthen its employee wellbeing initiatives through a range of programmes focused on holistic health and resilience. These included mental health and stress management sessions, counselling support, medical camps, eye screening programmes, self-defence awareness workshops, and a twice-weekly corporate fitness programme aimed at encouraging healthier lifestyles among employees.

HNBF is pleased to report that no work-related injuries were recorded during FY 2025/26, reflecting the effectiveness of the Company's health and safety practices and its continued focus on employee wellbeing as a foundation for operational excellence and long-term organisational sustainability.

## Diversity and inclusion

HNBF remains committed to fostering an inclusive and equitable workplace that values diversity across gender, ethnicity, age, and cultural backgrounds. The Company promotes fair recruitment practices, equal opportunity, non-discrimination, and an environment where employees feel respected, supported, and empowered to contribute their unique perspectives and capabilities.

During the year, female representation increased to 397 employees, accounting for approximately 21% of the total workforce of 1,907 employees, reflecting the Company's continued progress towards building a more gender-balanced organisation. HNBF also continued to strengthen cultural inclusion through employee engagement initiatives and celebrations that encouraged mutual respect and appreciation for the diverse backgrounds represented across the workforce.

As part of its commitment to diversity and inclusion, the Company conducted awareness and engagement programmes, including initiatives to recognise and promote gender inclusion such as Women's Day celebrations. Through continuous awareness-building, inclusive workplace practices, and equitable talent management processes, HNBF strives to cultivate a dynamic workplace culture that promotes belonging, collaboration, and sustainable organisational growth.

## Compliance

Compliance remains central to HNBF's Human Capital governance framework. The Company ensures that all HR practices are conducted in accordance with applicable labour laws, Central Bank of Sri Lanka directives, internal policies, and ethical standards. The Remuneration Policy and HR Manual provide clear guidance on fair reward structures.

| Legislation | Purpose |
|---|---|
| Shop and Office Employees (Regulation of Employment and Remuneration) Act No. 19 of 1954 | Regulates employment terms, working hours, leave entitlements, and remuneration for employees in shops and offices. |
| Employees' Provident Fund Act. No. 24 of 1971 | Establishes a mandatory retirement savings scheme, requiring employer and employee contributions to ensure financial security upon retirement. |
| Payment of Gratuity Act. No. 12 of 1983 | Mandates the payment of gratuity to employees who have completed a specified period of continuous service, recognising their long-term commitment. |
| Inland Revenue Act. No. 24 of 2017 | Governs the imposition and collection of income tax, ensuring compliance with national tax obligations. |
| National Minimum Wage of Workers Act. No. 3 of 2016 | Ensures a statutory minimum monthly wage for all workers, safeguarding fair compensation and preventing exploitative pay practices. |
| Employees' Trust Fund Act. No. 46 of 1980 | Provides for the establishment of a trust fund to offer additional financial benefits to employees, supplementing the Provident Fund. |
| Maternity Benefits Ordinance Act. No. 32 of 1939 | Provides paid maternity leave and job protection for female employees before and after childbirth, promoting maternal health and workplace equality. |

## Risk management and opportunity response

HNBF recognises that Human Capital risks can directly affect strategy execution, customer service quality, operational continuity, compliance, and long-term business resilience. As the Company continues its transition towards a more secured, risk-calibrated, and digitally enabled business model, the ability to attract, develop, retain, and engage skilled employees remains critical. Key risks include employee attrition, talent shortages, skill gaps, leadership continuity risk, employee disengagement, workplace conduct issues, compliance breaches, and wellbeing-related pressures.

The Company manages these risks through a structured Human Capital governance framework supported by workforce planning, performance management, succession planning, employee engagement, training and development, grievance mechanisms, wellbeing initiatives, and fair remuneration practices. During the year, HNBF strengthened its people risk response through initiatives such as leadership development, targeted coaching, Performance Improvement Plans, engagement activities, employee welfare support, and capability building in areas such as credit, leasing, digital systems, risk awareness, and operational effectiveness.

HNBF's strengths in managing Human Capital risks include its island-wide workforce, structured HR governance, improved employee engagement, Great Place to Work certification, leadership development through the High Flyers Programme, and strong investment in training and wellbeing.

### Risk mitigation approach

| Human capital risk area | HNBF's response |
|---|---|
| Talent attraction and retention | Market-aligned remuneration, internal career progression, engagement initiatives, and employer brand strengthening |
| Skill gaps | Targeted training in credit, leasing, digital systems, risk awareness, leadership, and operational effectiveness |
| Leadership continuity | High Flyers Programme, succession planning, targeted coaching, and talent pipeline management |
| Performance risk | Structured performance reviews, standardised evaluation, feedback mechanisms, and Performance Improvement Plans |
| Employee engagement | Engagement surveys, cultural activities, recognition programmes, and communication channels |
| Wellbeing risk | Health, mental wellbeing, welfare assistance, safety awareness, and family-support initiatives |
| Conduct and compliance risk | HR policies, grievance mechanisms, anti-discrimination practices, disciplinary procedures, and ethical workplace standards |

Through this approach, HNBF aims to convert Human Capital risks into opportunities for stronger engagement, improved productivity, leadership continuity, and organisational resilience. By continuously investing in its people, the Company strengthens its ability to execute strategy, serve customers responsibly, and create sustainable long-term value.

# HNBF event gallery

## Blood Donation Campaign





## Medical Eye Camp





## New Year Celebration 2026





## Speech Craft Programme






## Vesak Celebration






## Women's Day Celebration






# Human Capital

## Cricket Tournament







## Fitness Club







## Self-defense Awareness Workshop






## Sports Day







## Celebrating 25th Anniversary (Tri-religious Observances)







# Human Capital

## Sinhala and Tamil New Year Celebration







## Solidarity and Support Initiative




## Children's Day Competition



## Future priorities

HNBF's Human Capital priorities will continue to focus on building a capable, engaged, inclusive, and future-ready workforce that can support the Company's strategic transition towards a more resilient, digitally enabled, and risk-calibrated business model. The Company's people strategy will remain centred on strengthening workforce stability, leadership depth, capability development, employee wellbeing, and performance excellence.

### Short-term

In the short term, HNBF will focus on improving workforce stability, recruitment efficiency, employee engagement, and immediate capability gaps. The Company will continue to strengthen hiring discipline, improve onboarding, support internal career progression, and enhance retention initiatives in response to increasing competition for skilled talent.

Training will remain focused on priority business needs, including credit, leasing, collections, risk awareness, customer service, digital systems, and operational effectiveness. Employee engagement, wellbeing, and communication initiatives will also be strengthened through feedback mechanisms, recognition programmes, and targeted welfare support.

### Medium-term

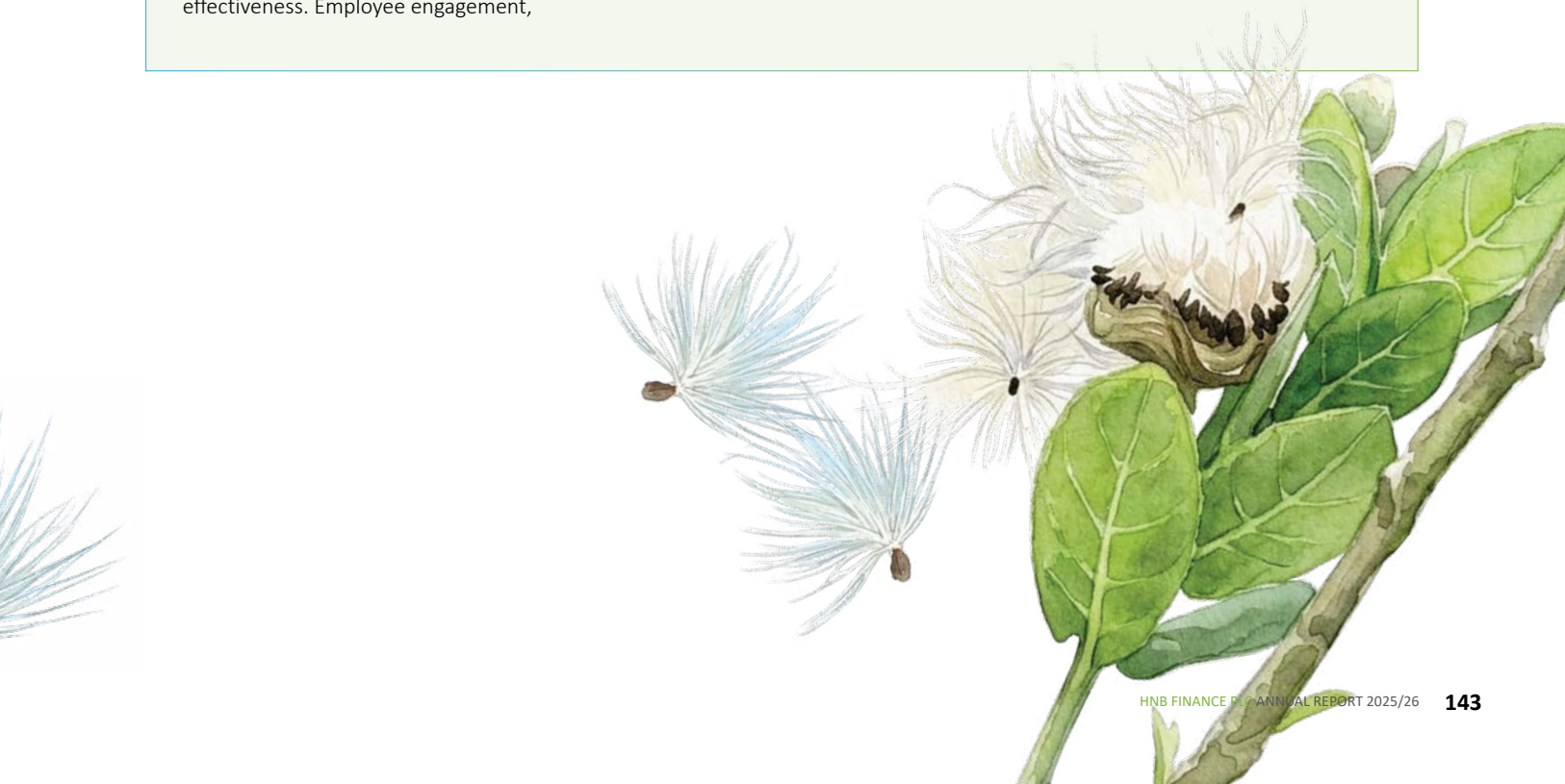
Over the medium term, HNBF will deepen leadership development, succession readiness, and workforce productivity. The Company will continue to strengthen the **High Flyers Programme** as its formal succession planning initiative, supported by coaching, role-based capability development, and talent pipeline management for critical positions.

The Company will also focus on embedding a stronger performance culture through refined performance management, clearer accountability, and continued use of Performance Improvement Plans. Further emphasis will be placed on improving female representation, expanding digital and specialist capabilities, and using people analytics to support better workforce planning and decision-making.

### Long-term

In the long term, HNBF aims to build a resilient, inclusive, and high-performing workforce capable of sustaining business transformation and long-term value creation. The Company will continue to invest in leadership continuity, future-ready skills, employee wellbeing, diversity and inclusion, and values-driven culture.

By aligning Human Capital development with strategy, technology adoption, customer expectations, and risk discipline, HNBF seeks to create a workforce that is agile, accountable, and equipped to support sustainable growth while preserving the Company's relationship-driven service culture.



# Social and Relationship Capital

## HNBF's Social and Relationship Capital represents the strength of the relationships we build with our customers, business partners, regulators, employees, and the communities in which we operate. These relationships are central to sustaining trust, strengthening customer loyalty, enhancing operational continuity, and creating long-term shared value.

During FY 2025/26, the Company continued to focus on responsible lending, inclusive financial solutions, customer-centric service delivery, financial literacy, and community engagement, while strengthening stakeholder confidence through ethical conduct, service reliability, and improved digital accessibility.

### HIGHLIGHTS OF THE YEAR

- Served a growing customer base of over 275,000 through a diversified portfolio of financial solutions.
- Invested LKR 11.06 Mn. in CSR and community development initiatives during the year.
- Successfully carried out 12 CSR projects focused on community empowerment and social well-being.
- Employees contributed over 2,400 volunteer hours towards CSR and community engagement initiatives.
- Contributed LKR 790 Mn. in taxes to support national development, public services, and infrastructure.



## Management approach

HNBF manages Social and Relationship Capital through a stakeholder-focused approach centred on customer trust, responsible business conduct, inclusive growth, ethical supplier relationships, and community empowerment. The Company's focus areas include customer experience, responsible lending, digital service delivery, data privacy, complaint handling, financial literacy, sustainable procurement, SME and micro business support, and long-term community engagement.

## Analysis of the Social and Relationship Capital Influence on other Capitals

**FINANCIAL CAPITAL**

Fosters trust-based relationships with customers, business partners, and the community to build customer loyalty, enhance brand equity, access new markets, and ensure steady business growth that strengthens Financial Capital.

**INTELLECTUAL CAPITAL**

Strengthens Intellectual Capital by fostering shared learning, co-innovation, and open exchange of ideas through networks and strategic partnerships, while building brand image through engagement with customers, suppliers, and the community to enhance brand value.

**MANUFACTURED CAPITAL**

Enhances Manufactured Capital by strengthening public value and acceptance of physical and technology driven assets through community engagement, incorporating feedback and suggestions to drive continuous improvement.

**HUMAN CAPITAL**

Cultivates a sense of belonging and purpose among employees while creating opportunities for Human Capital development, leading to greater engagement, retention, and collaboration.

**NATURAL CAPITAL**

Strengthens Natural Capital by mobilising support for sustainability through advocacy, partnerships, and stakeholder-driven environmental initiatives, complemented by strategic investments in CSR projects.



## Stakeholder impact

Shareholders

Customers

Regulators

Community and Environment

Business Partners

## Commitment to SDGs

## Creating value within the Company

Social and Relationship Capital is highly material to HNBF because the Company's business is built on trust and long-term relationships. Strong customer engagement supports retention, responsible lending, and portfolio quality. Reliable business partners help maintain service continuity and operational efficiency. Community relationships further strengthen HNBF's reputation and social licence to operate.

As the Company continues to expand secured lending, digital services, and inclusive finance, these relationships become even more important. Responsible and transparent financial practices help HNBF to protect value, enhance stakeholder confidence, manage reputational and operational risks, and create lasting value for customers, partners, communities, and the wider economy.

| | |
|---|---|
| Value created through customers  | • Stable and diversified revenue generation supported by a broad and engaged customer base.<br>• Improved funding strength and liquidity through increased customer participation and deposit growth.<br>• Stronger customer loyalty and retention driven by long-term relationship-focused engagement.<br>• Enhanced market presence and competitiveness through customer-centric products and services.<br>• Better portfolio resilience through diversification across customer segments and lending products.<br>• Strengthened brand value through innovation, service quality, and evolving customer solutions.<br>• Expanded financial inclusion contributing to sustainable economic participation and business growth.<br>• Sustainable long-term growth supported by stakeholder trust, confidence, and shared value creation.<br>• Increased cross-selling and relationship banking opportunities through deeper customer engagement.<br>• Improved reputation and market credibility through responsible and transparent financial practices. |
| Value created through Business Partners  | • Greater operational continuity supported by reliable and high-quality supplier and partner services.<br>• Improved cost efficiency through strategic sourcing and long-term value-driven partnerships.<br>• Stronger collaboration and operational stability through consistent and mutually beneficial relationships.<br>• Enhanced trust and accountability through transparent engagement and shared business objectives.<br>• Reduced operational and compliance risks through resilient and responsible supplier practices.<br>• Access to innovation, expertise, and technical capabilities that strengthen service delivery and competitiveness.<br>• Increased agility and responsiveness through adaptable partners supporting evolving business needs.<br>• Improved governance and sustainability alignment across the value chain and outsourced operations.<br>• Stronger operational resilience through dependable third-party support and service continuity.<br>• Sustainable business growth supported by strategic partnerships and shared long-term value creation. |
| Value created through the community  | • Enhanced corporate reputation as a socially responsible and community-focused financial institution.<br>• Increased customer trust and stakeholder loyalty driven by meaningful and consistent social impact.<br>• Stronger community relationships that support long-term goodwill, engagement, and public confidence.<br>• Greater differentiation and brand recognition through impactful and authentic community initiatives.<br>• Improved investor and stakeholder confidence through demonstrated commitment to sustainability and ESG principles.<br>• Stronger social license to operate through active contribution to community development and inclusion.<br>• Long-term business sustainability supported by inclusive growth and stronger stakeholder alignment.<br>• Enhanced brand equity through visible contributions to economic empowerment and social wellbeing.<br>• Improved market presence and accessibility through stronger connections with underserved communities.<br>• Positive socioeconomic impact contributing to national development and long-term shared value creation. |

## Value creation model

| Value Contribution | Value Preservation | Value Trade-Offs |
|---|---|---|
| Social and Relationship Capital strengthens HNBF's business performance by enhancing customer loyalty, market reach, brand credibility, and stakeholder trust. During the year, this was supported through new product offerings, onboarding of business partners, and 7 financial literacy workshops reaching 530+ participants, reinforcing responsible financial behaviour while creating new opportunities for customers, communities, and partners. | HNBF preserves value by maintaining trust through transparent communication, ethical conduct, customer grievance handling, data privacy, responsible lending, and service reliability. These practices help protect the Company's reputation, reduce conduct-related risks, and support portfolio quality. Partner relationships are also managed through ethical procurement, vendor due diligence, and service-level monitoring, helping safeguard operational continuity and compliance. | Building strong stakeholder relationships requires investment in service quality, branch-level engagement, complaint resolution, community outreach, and financial literacy. These may increase short-term operational effort and cost, but they preserve long-term trust, customer retention, and portfolio stability. Similarly, maintaining both physical and digital engagement channels requires resources, yet it enables HNBF to serve customers with different access needs across rural, semi-urban, and digital environments. |

## A snapshot of value creation

| Area of Social and Relationship Capital | FY 2025/26 Contribution | Value to HNBF |
|---|---|---|
| Enhancement of digital engagement channels | Launch of internet/ online banking platform | Improve customer accessibility, enhanced customer convenience, and strengthened digital customer engagement |
| Strengthened business partnerships | On boarded new 2500+ business partners | Expanded market reach, strengthened business connectivity, and supported sustainable business growth |
| Investments in community activities | Invested in 10+ community focused projects | Enhanced brand reputation, strengthened community trust, and contributed towards social impact and regional development |

Through these initiatives, Social and Relationship Capital creates value not only by expanding stakeholder reach, but also by protecting the Company from reputational, operational, and conduct-related risks. Its value lies in the strength of trust built over time, the consistency of stakeholder engagement, and the Company's ability to convert relationships into long-term resilience.

## Creating value beyond our business

HNBF's Social and Relationship Capital is built on the trust, confidence, and long-term relationships established with customers, business partners, regulators, employees, and the communities in which the Company operates. These relationships are central to the Company's ability to deliver accessible financial solutions, strengthen stakeholder confidence, and contribute to inclusive socioeconomic development. During FY 2025/26, HNBF continued to create value through responsible lending, customer-focused service delivery, financial inclusion, supplier collaboration, community development, and financial literacy initiatives.

The Company's approach to stakeholder value creation is closely aligned with its broader strategy of becoming a more resilient, secured, risk-calibrated, and sustainability-focused financial institution. The value created through HNBF's Social and Relationship Capital is reflected across three key stakeholder groups, demonstrating how the Company's engagement model translates trust, accessibility, and responsible financial practices into tangible outcomes for customers, business partners, and communities.

## Social and Relationship Capital

| Customers | Business Partners | Community |
|---|---|---|
| • Accessible and inclusive financial solutions designed to support diverse customer needs and life stages.<br>• Greater convenience and service accessibility through digital channels and an expanding branch network.<br>• Responsible and transparent financial guidance that enables informed financial decision-making.<br>• Enhanced financial confidence through secure, reliable, and customer-focused banking experiences.<br>• Improved financial wellbeing through affordable financing and tailored repayment structures.<br>• Long-term relationship building through personalized engagement and responsive customer support.<br>• Stronger trust and peace of mind through ethical practices, data protection, and service reliability.<br>• Continuous product and service innovation aligned with evolving customer expectations and market trends.<br>• Financial literacy and awareness initiatives that empower customers to manage finances responsibly.<br>• Sustainable financing opportunities that support customers transitioning toward greener and more resilient lifestyles | • Stable and mutually beneficial partnerships built on trust, transparency, and long-term collaboration.<br>• Reliable and timely settlement processes that support operational continuity and financial stability.<br>• Fair and ethical procurement practices that encourage accountability and equal opportunity.<br>• Strengthened business resilience through consistent engagement and dependable commercial relationships.<br>• Open communication and collaborative feedback mechanisms that support continuous improvement.<br>• Promotion of responsible business conduct and sustainability-focused practices across the value chain.<br>• Opportunities for growth and innovation through strategic partnerships and shared value creation.<br>• Enhanced governance and compliance alignment through structured vendor and third-party management practices.<br>• Support for operational efficiency through integrated systems, digital collaboration, and service coordination.<br>• Improved confidence among partners through strong corporate governance, market credibility, and financial stability | • Improved access to financial services that support economic participation and social inclusion.<br>• Contribution to local economic development through Micro financing, entrepreneurship support, and livelihood enhancement.<br>• Increased financial awareness and knowledge-sharing through education and community engagement initiatives.<br>• Enhanced social wellbeing through targeted CSR programmes addressing community and grassroots needs.<br>• Stronger community relationships built on accessibility, trust, and long-term engagement.<br>• Support for underserved and rural communities through inclusive and need-based financial solutions.<br>• Promotion of social empowerment and self-sufficiency through capacity-building and financial inclusion programmes.<br>• Encouragement of equal opportunity and reduced inequality through inclusive and responsible business practices.<br>• Improved community resilience through support initiatives during economic or environmental challenges.<br>• Long-term socioeconomic value creation through sustainable and socially responsible business operations. |

## A snapshot of value creation

| Stakeholder Group | Value Created | SDG Link |
|---|---|---|
| Customers | Access to responsible finance, better service, financial literacy, improved financial confidence |  |
| Communities | Financial empowerment, education support, wellbeing initiatives, livelihood development |  |
| Employees | Volunteerism, inclusion, organisational pride, purpose-led engagement |  |
| Business Partners | Fair procurement, service continuity, collaboration, responsible value chain practices |  |
| Regulators and Shareholders | Stronger confidence through ethical conduct, responsible lending, transparency, and stakeholder trust |  |

Through these initiatives, HNBF demonstrates that Social and Relationship Capital is not only a driver of stakeholder trust, but also a practical channel for advancing inclusive and sustainable development. By linking customer relationships, community impact, ethical partnerships, and responsible finance, the Company strengthens both its social licence to operate and its long-term value creation model.

## Governance

HNBF governs Social and Relationship Capital through a structured framework that promotes transparency, accountability, ethical conduct, and responsible stakeholder engagement. Oversight is maintained through governance, risk, compliance, procurement, customer service, and sustainability-related processes, ensuring that relationships with customers, business partners, regulators, and communities are managed in line with internal policies and regulatory expectations.

Customer-related governance is supported by responsible lending practices, complaint handling mechanisms, data privacy controls, and service quality monitoring. Business partner relationships are governed through procurement procedures, vendor due diligence, service-level expectations, and compliance requirements. Community engagement initiatives are guided by the Company's broader social responsibility and sustainability priorities.

### Governance framework

| | |
|---|---|
| Customer Governance | Responsible lending, affordability assessments, transparent communication, complaint handling, customer privacy, and service quality monitoring |
| Business Partner Governance | Ethical procurement, vendor due diligence, service-level monitoring, supplier compliance, and third-party risk management |
| Community Governance | CSR planning, employee volunteerism, financial literacy programmes, community impact assessment, and alignment with sustainability priorities |
| Regulatory Governance | Compliance with applicable regulations, customer protection principles, disclosure expectations, and responsible business conduct |
| Data and Information | Cybersecurity controls, data privacy practices, information protection, and responsible use of customer information |

Through this integrated governance approach, HNBF seeks to protect stakeholder trust, strengthen relationship value, manage reputational and operational risks, and ensure that Social and Relationship Capital continues to support sustainable long-term value creation.

## Stakeholder engagement and relationship development

HNBF recognises that sustainable value creation is closely linked to the strength of its relationships with key stakeholders. As a customer-focused financial institution, the Company remains committed to transparent, responsible, and long-term engagement with customers, business partners, and the wider community. Through collaboration, responsive communication, ethical business practices, inclusive engagement, strategic partnerships, community empowerment, and customer-centric service delivery, HNBF continues to build trust, strengthen stakeholder confidence, and create shared value across its operating ecosystem.

HNBF's Social and Relationship Capital is strengthened through customer engagement, business partner collaboration, community development, responsible procurement, financial literacy, digital service delivery, and stakeholder communication. Together, these initiatives help the Company deepen relationships and create sustainable value.

Customer loyalty and satisfaction remain central to this approach. The Company continues to strengthen loyalty through relationship-based service, responsive complaint handling, customer feedback mechanisms, and value-added initiatives such as the Customer Loyalty Card Programme. These efforts support customer retention, improve service quality, and reinforce HNBF's position as a trusted financial partner.

## Customer engagement

### Customer management approach

At HNB Finance PLC, customers remain at the heart of the Company's long-term value creation strategy. The organization's customer relationship management approach is built on fostering trust-based, sustainable relationships that extend beyond transactional interactions, enabling the Company to create meaningful financial, social, and economic value for customers and communities across Sri Lanka.

# Social and Relationship Capital

HNBF continues to embed customer-centricity within its strategic decision-making, service delivery practices, and operational culture, ensuring that customer needs, accessibility, and financial well-being remain central to business growth and sustainability objectives. The Company maintains a strong commitment to delivering inclusive and responsive financial solutions that support underserved and emerging customer segments, including women entrepreneurs, rural communities, microfinance customers, and financially underserved individuals. Through this approach, HNBF contributes towards strengthening financial inclusion, expanding regional economic participation, and supporting community-level economic empowerment.

The Company's relationship-driven service model emphasises personalised customer engagement, proactive relationship management, and continuous customer support throughout the customer lifecycle. Supported by its branch network and multiple customer interaction channels, HNBF continues to maintain close and consistent relationships with customers while promoting long-term financial resilience and growth.

Recognising the evolving expectations of customers, HNBF continues to integrate digital capabilities with physical customer engagement channels to enhance convenience, accessibility, transparency, and service responsiveness. The Company remains focused on balancing technological innovation with personalised service experiences, ensuring that customers continue to receive efficient and relationship-oriented financial services across all touchpoints.

Customer feedback and engagement mechanisms continue to play an important role in improving products, processes, and service delivery standards. Insights gathered through customer interactions support the Company's ongoing efforts to strengthen service quality, improve customer responsiveness, and maintain ethical and responsible customer practices.

HNBF views customer trust and loyalty as critical drivers of long-term resilience and sustainable growth. By maintaining strong stakeholder relationships and delivering consistent value-driven financial solutions, the Company continues to strengthen its social and relationship capital while supporting sustainable value creation for customers, communities, and the broader economy.

## Engagement channels

HNBF engages with customers through a combination of physical and digital channels, ensuring that accessibility, responsiveness, and relationship-building are maintained across diverse customer segments. This blended engagement model enables the Company to preserve the trust and familiarity of branch-based service while progressively improving convenience through digital platforms.

## Physical engagement channels

Physical engagement remains central to HNBF's customer relationship model, particularly in rural and semi-urban communities where face-to-face interaction continues to be important. The Company's physical network of 76 strategically located branches, predominantly situated outside the Western Province, strengthens its ability to serve underserved and emerging communities across the country. This extensive branch presence enables HNBF to provide accessible, personalised, and relationship-driven financial services to customers who value direct interaction, practical guidance, and community-level engagement.

The branch network serves as the primary point of contact for many customers, enabling them to obtain product information, receive financial guidance, complete transactions, raise service concerns, and maintain ongoing relationships with branch teams. Beyond improving access to essential financial products and services, HNBF's physical presence plays a vital role in promoting financial inclusion, supporting regional economic participation, and fostering long-term customer trust across diverse customer segments.

HNBF also engages customers through field-level interactions, community outreach, financial literacy workshops, customer meetings, and branch-led awareness initiatives. These channels allow the Company to remain close to the communities it serves, understand local customer needs, and provide relationship-based support to microfinance clients, SMEs, entrepreneurs, women-led businesses, and underserved customer segments.

## Digital engagement channels

Digital engagement is becoming increasingly important as HNBF advances its transformation towards more convenient, responsive, and scalable service delivery. Through online communication channels, online and internet banking, and digital service touchpoints, customers are able to access information and services with greater ease and reduced dependency on branch visits.

These channels improve customer convenience, support faster communication, and enhance accessibility for customers who prefer remote or self-service options. Digital engagement also enables the Company to strengthen customer feedback collection, service monitoring, complaint resolution, and targeted communication. As digital adoption expands, HNBF will continue to integrate digital channels with its physical service model to create a more seamless and customer-centric engagement experience to improve service quality and operational efficiency.

| Engagement Channel | Value created through | Purpose and Value |
|---|---|---|
| Branch Network | 76 touch points | Provides relationship-based service, product guidance, complaint support, and community-level access. |
| Field and Community Outreach | 900+ experience field staff | Supports customer engagement in rural and semi-urban areas, for microfinance, SME, and financial literacy initiatives. |
| Digital Platforms | Launch of Internet & online banking | Improves convenience, accessibility, and service responsiveness as digital adoption expands. |
| Call Centre | 24x7 customer assistance | Provides customer support, query resolution, complaint escalation, and service guidance. |
| Customer Communication Points | Updated information through various customer channels | Enables customers to access information, raise concerns, and maintain continuous communication with the Company quickly and efficiently. |
| Financial Literacy Programmes | Ongoing outreach programmes | Supports responsible borrowing, savings awareness, repayment discipline, and informed financial decision-making. |

## Product portfolio

HNBF's product portfolio continues to play a central role in strengthening Social and Relationship Capital by enabling customers to access financial solutions that are responsible, inclusive, and aligned with their evolving needs. In keeping with the Company's strategic transition towards a more resilient and risk-calibrated business model, product development during FY2025/26 was guided by customer affordability, market conditions, portfolio resilience, and risk-adjusted returns. This approach reflects the Company's shift from purely volume-driven outreach towards sustainable financial inclusion, where access to finance is balanced with affordability, repayment sustainability, and long-term customer wellbeing.

A key focus was placed on secured and asset-backed products, particularly gold loans, leasing, and land and housing finance, which are more accessible to individuals, and small businesses that may have limited access to traditional bank financing. These products allow customers to leverage available assets to obtain financing, thereby improving financial inclusion while maintaining credit discipline. The Company also continued to simplify documentation and improve process efficiency, enabling faster and more convenient access to finance without compromising prudent credit evaluation standards.

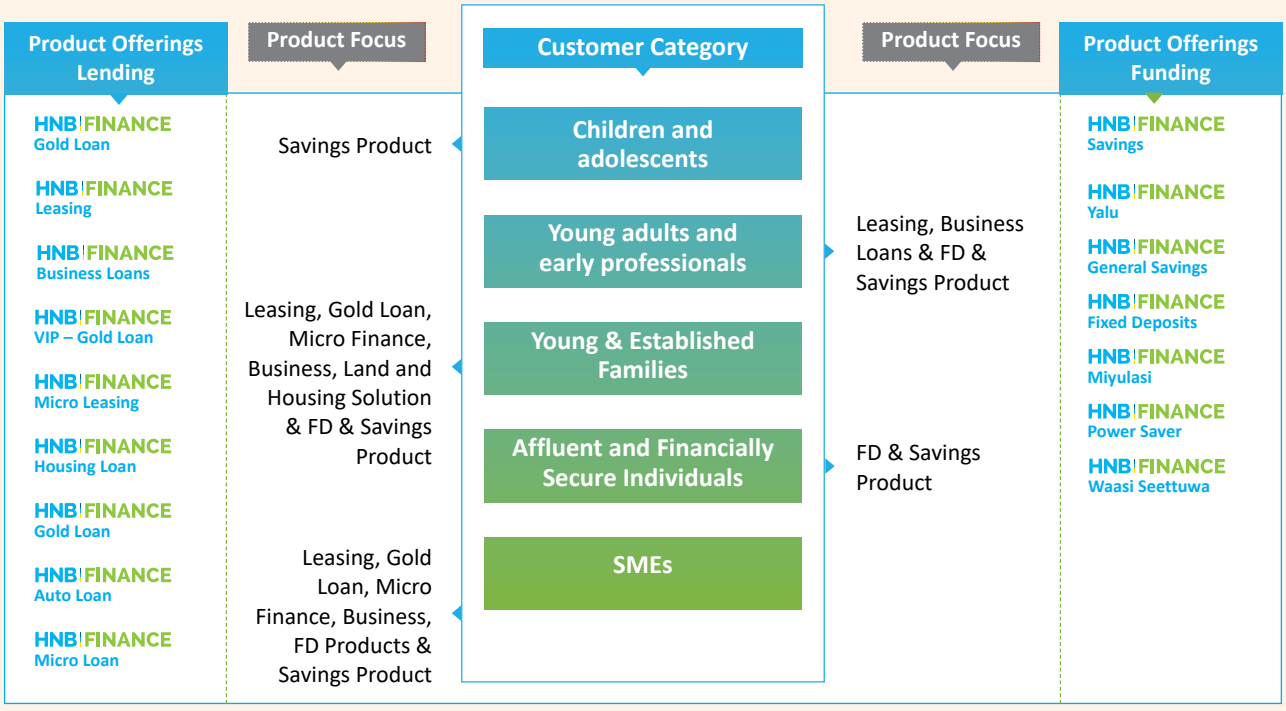
For women entrepreneurs, HNBF facilitated access to finance through flexible, collateral-backed solutions, particularly within leasing and gold loan products. These offerings enabled women-led businesses and self-employed individuals to leverage available assets to acquire income-generating assets, and support business continuity. By providing access through a secured and risk-conscious lending model, the Company helped promote financial independence, enterprise development, and broader participation of women in economic activity, while maintaining responsible lending standards and repayment sustainability.

In the microfinance segment, HNBF continued with a more selective and responsible approach by offering micro-secured products backed by collateral, while continuing to support existing and credible microfinance customers through carefully evaluated unsecured facilities. This balanced approach helps reduce over-indebtedness, improve repayment sustainability, and preserve long-term customer relationships.

The Company's product portfolio also continues to support deeper customer relationships through customer-centric value additions. In the previous year, HNBF strengthened its leasing proposition through new product offerings, dealer collaborations, and digital promotional campaigns, while the gold loan portfolio was enhanced through customer-focused offerings such as Cash in Flash, Super Max, and Ransahana. New housing finance solutions also helped enhance our product portfolio, helping cater to a broader market. These initiatives remain relevant to the Company's current positioning, as they demonstrate HNBF's ability to respond to customer needs with products that combine speed, flexibility, accessibility, and trust.

## Social and Relationship Capital

### Customer-centric product portfolio framework




### Product portfolio and customer value

| Product Area | Customer Segment Supported | Relationship Value Created |
|---|---|---|
| Gold Loans | Individuals, households, women entrepreneurs, self-employed customers | Provides quick liquidity through asset-backed financing while supporting responsible credit access |
| Leasing | SMEs, micro-entrepreneurs, vehicle users, income-generating asset owners | Supports mobility, business operations, and income generation through structured repayment solutions |
| Land and Housing Finance Solutions | Individuals and families seeking long-term asset creation | Supports financial stability, housing aspirations, and long-term customer relationships |
| Micro-secured Products | Microfinance and underserved customers | Promotes responsible financial inclusion while reducing over-indebtedness risk |
| Fixed Deposits and Savings Products | Retail savers and deposit customers | Supports financial discipline, savings growth, and long-term customer confidence |

Through this diversified and secured product portfolio, HNBF continues to strengthen customer trust, deepen relationships, and contribute to inclusive economic participation. By aligning product development with customer affordability, responsible lending, and portfolio resilience, the Company reinforces its role as a reliable financial partner supporting customers across different life stages, income levels, and business needs.

## Customer relations management

### Customer communication points

| Customer communication channel | Purpose |
|---|---|
| Branch interactions | Provide product information, financial guidance, service support, transaction assistance, and direct customer relationship management. |
| Field-level engagement | Maintain close contact with customers in rural and semi-urban communities, understand local needs, and support relationship-based service delivery. |
| Digital platforms | Share service updates, improve convenience, support remote access, and enable faster customer interaction. |
| Call centre/customer support channels | Respond to customer inquiries, resolve service concerns, support complaint handling, and improve customer responsiveness. |
| SMS, telephone and electronic | Provide timely reminders, service notifications, product updates, and important customer communications. |
| Financial literacy and awareness | Improve customer understanding of financial products, responsible borrowing, repayment discipline, and informed decision-making. |
| Customer feedback and complaint mechanisms | Capture customer concerns, identify service gaps, strengthen accountability, and support continuous improvement. |

### Call center

The Call Centre continued to serve as a central customer engagement and service support channel for HNBF, strengthening the Company's ability to deliver responsive, accessible, and relationship-driven customer service. As a primary point of contact for customer inquiries, service assistance, feedback, and complaint resolution, the Call Centre plays an important role in reinforcing customer confidence and improving the overall service experience.

### Customer engagement and service support

Through direct calls and coordinated service interactions, the Call Centre supports customers by providing timely information, guidance, and assistance across products, services, and account-related matters. It also strengthens communication between customers and internal business units, ensuring that customer concerns are addressed with greater clarity, professionalism, and responsiveness.

### Complaint handling and resolution

HNBF manages customer complaints received through branches, digital platforms, written communication, and direct calls through a centralised complaint handling process. The Call Centre supports timely escalation to relevant departments, follow-up on resolution progress, and coordinated communication with customers. This reinforces accountability, service discipline, and customer-centric resolution practices across the organisation.

### Multilingual and inclusive support

To improve accessibility across its diverse customer base, HNBF maintains trilingual customer support capabilities. This enables customers from different regions and language backgrounds to access assistance more comfortably, strengthening inclusivity and trust in the Company's service delivery model.

### Digital enablement and staff capability

The Call Centre continued to use integrated CRM and Call Centre platforms to improve customer interaction management, service efficiency, and response coordination. To support this transition, HNBF continued to invest in training and capability development for Call Centre personnel, with emphasis on customer complaint handling, customer relationship management, service professionalism, communication skills, and regulatory compliance. These training initiatives improved the team's ability to respond to inquiries more effectively, manage customer concerns with greater empathy and consistency, and coordinate resolutions across relevant business units.

### Future-ready service transformation

As HNBF expands its digital banking services, the Call Centre is being progressively strengthened as a more digitally enabled and customer-focused service function. Preparations are being made to support extended service availability in line with growing customer expectations for convenience, accessibility, and faster response.

Through these efforts, the Call Centre continues to support HNBF's broader objective of delivering reliable, responsive, and seamless customer service across multiple engagement channels.

## Customer privacy

Customer privacy and data security remained key priorities for HNBF during the year, reflecting the Company's commitment to responsible business conduct, stakeholder trust, and secure service delivery. As financial services become increasingly digital, HNBF continued to strengthen governance frameworks, internal controls, and technology-enabled safeguards to protect customer and organisational information from unauthorised access, misuse, disclosure, theft, or cyber threats.

The Company remained committed to align with applicable requirements on customer confidentiality, information security, and data protection, including Central Bank of Sri Lanka requirements and the Sri Lanka Personal Data Protection

Act, No. 9 of 2022. During the year, HNBF recorded no material incidents relating to customer data breaches, privacy violations, or information leakage.

HNBF also promoted information security awareness through employee training and internal communication on data privacy, phishing risks, credential protection, and secure handling of customer information. Strengthened access controls, encryption, secure authentication, monitoring mechanisms, and cybersecurity governance further supported the confidentiality, integrity, and availability of critical information assets, reinforcing HNBF's position as a trusted and secure financial institution.

## Customer loyalty and satisfaction

At HNBF, customer relationships are built on trust, responsiveness, and long-term value creation. The Company continued to strengthen customer engagement during the financial year through service excellence, relationship-driven interactions, and initiatives designed to enhance overall customer experience across all customer touchpoints.

Customer loyalty remained a strong indicator of the confidence customers continue to place in the HNBF brand and service model. Despite the low interest rate environment experienced during the year, the Company maintained a healthy renewal ratio, reflecting sustained customer trust, strong relationship management practices, and the reliability associated with the wider Hatton National Bank PLC brand ecosystem.

To further strengthen customer retention and engagement, HNBF continued the Customer Loyalty Card programme offering value-added benefits tailored to different customer segments. This was continued to recognise long-standing customer relationships while enhancing convenience, accessibility, and personalised customer experiences.

The Company also continued to place significant emphasis on customer satisfaction through continuous service enhancement initiatives. Structured customer surveys, branch-level interactions, and customer feedback mechanisms were utilised to better understand evolving customer expectations and identify opportunities for improvement across products, processes, and service delivery standards.

Customer-centricity remained embedded within operational practices through transparent communication, responsive service support, fair treatment principles, and strengthened complaint handling processes. Investments in employee training and development further enhanced the ability of frontline teams to provide professional, personalised, and relationship-focused customer experiences.

As part of the Company's ongoing digital transformation journey, HNBF continued to enhance customer accessibility and convenience through digital enablement initiatives aimed at delivering more seamless, secure, and efficient financial services. These efforts support the Company's broader objective of building lasting customer relationships while continuously improving service quality and customer engagement standards.

Through these ongoing initiatives, HNBF continues to reinforce its commitment to delivering a trusted, responsive, and customer-focused banking experience that supports long-term stakeholder confidence and sustainable value creation.

| | NSP (%) | CSAT (%) |
|---|---|---|
| April | 94.9 | 96.9 |
| May | 94.2 | 97.0 |
| June | 94.8 | 96.7 |
| July | 91.1 | 96.3 |
| August | 93.1 | 97.0 |
| September | 93.7 | 97.0 |
| October | 93.8 | 97.3 |
| November | 94.1 | 97.1 |
| December | 93.6 | 97.9 |
| January | 95.6 | 97.8 |
| February | 95.9 | 97.9 |
| March | 95.1 | 97.6 |

## Customer health and safety

Customer health and safety remain a fundamental priority across HNBF's branch network. The Company maintains secure and risk-mitigated customer-facing environments through safety measures such as fire extinguishers, trained security personnel, emergency exits, signage, and fire response preparedness across branches.

As part of its facilities management procedures, branches are subject to regular inspections to assess and improve physical safety standards. Health and safety considerations are also reviewed during facility upgrades, renovations to ensure that customer service environments remain safe, accessible, and compliant.

During the reporting period, HNBF recorded no incidents of non-compliance with regulations or voluntary standards relating to the health and safety of its services, reflecting the Company's continued commitment to responsible service delivery and customer wellbeing.

# Business partner engagement

## Management approach

HNBF recognises business partners as key stakeholders who support the Company's ability to deliver financial services efficiently, responsibly, and sustainably. The Company's approach to business partner engagement is guided by trust, transparency, fairness, ethical conduct, and long-term collaboration, ensuring that partnerships remain mutually beneficial and aligned with HNBF's operational and strategic priorities.

HNBF works closely with suppliers, service providers, dealers, merchants, technology partners, outsourced service providers, professional advisors, and other strategic collaborators to support operational continuity, service quality, innovation, and customer value delivery. These partnerships strengthen the Company's operational capabilities, enhance customer experience, and support the execution of strategic business objectives.

During FY 2025/26, the Company continued to strengthen partner engagement through structured communication, performance monitoring, responsible procurement practices, and compliance-driven governance processes. Procurement and supplier management decisions were guided by quality, reliability, cost effectiveness, regulatory compliance, operational efficiency, and long-term value creation.

Where feasible, HNBF also continued to support local businesses, suppliers, and community-based service providers, contributing to domestic economic participation and regional business development. Through proactive engagement and collaborative relationship management, the Company continues to build trusted and resilient business partnerships that support sustainable growth, operational resilience, innovation, and long-term stakeholder value creation.

## Network of business relationships

HNBF engages with a diverse network of business partners who support the Company's operational, technological, and service delivery requirements. These include suppliers, dealers, merchants, technology and digital service providers, outsourced service providers, professional consultants, maintenance and infrastructure partners, marketing and media agencies, security service providers, and other strategic collaborators. Through these partnerships, the Company continues to strengthen operational efficiency, customer service delivery, innovation, and long-term business sustainability.

### Business partners

**178 General**
Supports day-to-day operational requirements, including office supplies, administration, facilities, repairs, maintenance, and general service needs.

**208 ICT**
Provides technology infrastructure, software, hardware, cybersecurity support, digital platforms, system maintenance, and IT-related services.

**7,786 Dealers**
Supports leasing and business generation through vehicle sourcing, customer referrals, market access, and product distribution.

**14 Financial Providers**
Supports financial service delivery through advisory, funding-related, payment, and other finance-linked support services.

**16 Outsources**
Supports selected outsourced operational and service functions, including specialised external support required for business continuity and efficiency.

**Total New Suppliers**
**2,536**



## Human rights and ethical standards

HNBF continued to uphold human rights, ethical business conduct, and responsible supplier management practices across its business partner ecosystem during FY 2025/26. The Company remained committed to engaging with business partners who demonstrate alignment with acceptable labour standards, ethical practices, employee rights, and responsible business behaviour.

As part of the supplier onboarding and evaluation process, business partners continued to be assessed against a range of social and ethical considerations, including labour practices, workplace health and safety standards, employee welfare, ethical conduct, environmental and social responsibility practices, and regulatory compliance requirements. These evaluations support the Company's objective of strengthening responsible and sustainable supply chain relationships while minimising potential social and reputational risks.

HNBF also continued to maintain a zero-tolerance approach towards child labour, forced labour, and unethical employment practices within its supplier network. During FY 2025/26, no material incidents or concerns relating to child labour, labour rights violations, or restrictions on freedom of association and collective bargaining were identified within the Company's business partner engagements.

Through responsible supplier governance and ethical partnership practices, HNBF continues to strengthen stakeholder trust, operational resilience, sustainable business growth, and long-term shared value creation across its business ecosystem.

## Procurement practices and local economic activity

HNBF continued to maintain procurement practices guided by transparency, fairness, accountability, operational efficiency, and responsible business conduct. Procurement activities are managed through a centralised framework designed to ensure consistency, effective resource utilisation, regulatory compliance, and alignment with the Company's operational and strategic objectives.

Supplier selection and onboarding are supported by structured evaluation mechanisms that consider service quality, reliability, operational capability, pricing, regulatory compliance, past performance, business continuity, and alignment with ethical business practices. These practices help HNBF build resilient supplier relationships while strengthening operational reliability and long-term value creation.

The Company also recognises the role of responsible procurement in supporting broader economic and social development. Where feasible, HNBF engages local suppliers, dealers, service providers, merchants, and community-based business partners, contributing to domestic supply chains, regional business growth, faster service delivery, and improved local economic participation. Through responsible procurement governance and collaborative supplier engagement, HNBF continues to foster mutually beneficial partnerships that support sustainable growth, operational resilience, and shared stakeholder value.

## Community engagement

### Management approach

HNBF's approach to community engagement and CSR is guided by its commitment to responsible business, inclusive development, and long-term stakeholder value creation. The Company recognises that sustainable growth is closely linked to the social, economic, and environmental wellbeing of the communities it serves.

During FY 2025/26, HNBF continued to adopt a structured and purpose-driven approach to community engagement, focusing on education, financial empowerment, women's empowerment, employee volunteerism, social welfare, community wellbeing, and environmental sustainability. Leveraging its island-wide branch network and grassroots relationships, the Company identified community needs and implemented initiatives designed to create meaningful and lasting social value.

Through these efforts, HNBF continues to strengthen stakeholder relationships, support national development priorities, and reinforce its role as a responsible financial institution committed to inclusive and sustainable community development.

### Social impact assessment

HNBF continued to strengthen its approach to social impact assessment during FY 2025/26 by ensuring that community engagement initiatives are aligned with local needs, stakeholder expectations, and long-term socio-economic development priorities. The Company recognises that meaningful community investment extends beyond financial contributions and requires a structured and inclusive approach to evaluating the effectiveness, sustainability, and long-term impact of community-based interventions.

Community initiatives implemented during the year were guided through stakeholder engagement, local community interactions, and need-based assessments aimed at identifying priority social, educational, environmental, and economic concerns within the communities in which the Company operates. These insights supported the design and implementation of programmes that are responsive, inclusive, and aligned with broader national development priorities and the United Nations Sustainable Development Goals (SDGs).

HNBF continued to focus on community development initiatives relating to education, livelihood support, community well-being, environmental sustainability, and social empowerment, while promoting inclusive participation and equitable access to opportunities across diverse community groups. Particular emphasis was also placed on supporting underserved and

regional communities through initiatives designed to strengthen social resilience, financial inclusion, and long-term community empowerment.

The Company also continued to encourage employee participation in volunteerism and community engagement activities, fostering a culture of social responsibility and strengthening the connection between the organisation and the communities it serves.

To improve accountability and effectiveness, HNBF continued to monitor and evaluate community initiatives using both qualitative and quantitative considerations, enabling the Company to assess outcomes, identify areas for improvement, and enhance the long-term sustainability of future interventions. Through this integrated approach to social impact assessment, HNBF continues to reinforce its commitment to responsible corporate citizenship, inclusive development, and sustainable social value creation.

## Financial literacy and financial empowerment

Financial literacy and financial empowerment continued to represent one of HNBF's most significant community investments during FY 2025/26, reflecting the Company's strong belief that sustainable financial inclusion extends beyond providing access to finance and also be supported through financial awareness, responsible financial behaviour, and informed decision-making. As a financial institution with deep roots in regional and underserved communities, HNBF continued to position financial education as a strategic pillar of its community engagement and social impact agenda.

HNBF has established itself as a pioneer in promoting financial literacy among underserved and financially vulnerable communities, particularly within the microfinance sector. The Company remains among the few financial institutions in Sri Lanka to consistently invest in structured financial education initiatives aimed at empowering customers and communities with practical financial management knowledge and long-term financial planning capabilities. This approach reflects the Company's commitment to supporting sustainable livelihoods, strengthening financial resilience, and promoting responsible borrowing and repayment practices across its customer base.

During the financial year, HNBF conducted seven financial literacy and financial awareness programmes across several regional locations including Badulla, Bandarawela, Puttalam, Kandy, Pathahewaheta, Nawalapitiya, and Wennappuwa. These programmes reached more than 530 participants comprising microfinance clients, small and medium-scale entrepreneurs, women-led businesses, and community members.

The programmes focused on enhancing awareness relating to savings habits, budgeting, responsible borrowing, repayment discipline, debt management, financial planning, entrepreneurship, and long-term financial stability. Through these initiatives, participants were equipped with practical financial knowledge and tools designed to improve financial decision-making, strengthen household financial management, and support sustainable income generation and economic participation.

Beyond improving financial awareness, these programmes also support HNBF's broader objective of fostering financially responsible communities while reducing long-term financial vulnerability within underserved segments. The Company believes that empowering communities through financial knowledge contributes not only to individual financial well-being but also to broader social stability, economic resilience, and inclusive economic growth.

By continuing to invest in financial literacy and community empowerment initiatives, HNBF reinforces its role as a responsible financial institution committed to creating sustainable social impact and strengthening long-term community resilience across Sri Lanka.





## Knowledge sharing and creative development

As part of its continued commitment to community engagement and child development, HNBF organized a Children's Day programme focused on encouraging creativity, self-expression, and knowledge sharing among children. The initiative featured an island-wide art competition conducted under three age categories, providing young participants with an opportunity to showcase their artistic talents and creative thinking.

The programme received enthusiastic participation, with artwork submissions collected from children representing diverse communities and backgrounds. To recognise and encourage their efforts, winners and selected participants were awarded prizes during a special Children's Day event organized by the Company.

Through initiatives of this nature, HNBF continues to support holistic child development, encourage creative learning opportunities, and strengthen community engagement while promoting inclusivity, encouragement, and positive social interaction among future generations.

# Social and Relationship Capital

## Community wellbeing and health

HNBF continued to support community wellbeing and public health initiatives by arranging a blood donation campaign during FY 2025/26 aimed at promoting social responsibility, employee volunteerism, and community care. The Company organised a Blood Donation Campaign which recorded the participation of 151 individuals, with 112 successful blood donations contributed towards supporting national healthcare requirements and emergency medical needs.

The initiative reflected the Company's continued commitment to contributing towards broader community wellbeing while encouraging a culture of compassion, volunteerism, and social consciousness among employees. The campaign also served as a platform to strengthen employee engagement in meaningful social impact initiatives, reinforcing the importance of collective responsibility towards supporting vulnerable communities and the national healthcare system.

Beyond its immediate healthcare contribution, the programme demonstrated HNBF's broader approach to community engagement by promoting awareness relating to public health, social solidarity, and responsible citizenship. Through such initiatives, the Company continues to foster stronger community connections while creating positive social impact beyond its core business operations.






## Vesak community outreach initiative

In celebration of Vesak, HNB Finance PLC organized a Vesak Dansal programme at the Company's Head Office as part of its continued commitment to community engagement, cultural values, and social responsibility. During the initiative, more than 10,000 people were served with traditional Sri Lankan seeni sambol buns and refreshments, reflecting the spirit of generosity, compassion, and unity associated with this important religious and cultural observance.

The programme was carried out with the active participation of employees and management, demonstrating the Company's strong culture of volunteerism, teamwork, and meaningful social contribution. Beyond serving the community, the initiative also strengthened employee engagement and reinforced HNBF's connection with the wider public through a shared celebration of Sri Lankan cultural and spiritual values.

Through such initiatives, HNBF continues to reaffirm its commitment to preserving cultural traditions while fostering social harmony, inclusivity, and responsible community engagement.





## Women's empowerment and inclusion

HNBF continued to strengthen its commitment towards women's empowerment, inclusion, and employee wellbeing during FY 2025/26 through initiatives designed to foster a more inclusive, supportive, and empowering workplace culture. The Company recognises that gender inclusion and equal opportunity are important drivers of organisational sustainability, employee engagement, and long-term social progress.

In celebration of International Women's Day, HNB Finance PLC hosted a hybrid engagement programme that brought together nearly 220 female employees representing branches and operational locations across the island. The event was conducted at the Company's Head Office in Nawala, with broader participation facilitated through live virtual access to ensure inclusivity and accessibility for employees across regional locations.

The programme featured an interactive keynote session titled "The Resilient Mind", conducted by Professor Dr Piyanjali De Zoysa, Senior Professor of Psychiatry at the University of Colombo. The session focused on resilience, mindfulness, emotional wellbeing, and personal empowerment, providing participants with practical insights to support both personal and professional development. The initiative reinforced the importance of mental wellbeing, adaptability, confidence, and self-development in enabling women to achieve their full potential within the workplace and beyond.

The event was attended by members of senior management, including the Managing Director/CEO, reflecting the Company's continued commitment to fostering an inclusive organisational culture that values diversity, equal opportunity, employee wellbeing, and holistic development.

Through such initiatives, HNBF continues to strengthen its efforts towards promoting gender inclusion, employee empowerment, and a workplace environment that encourages respect, participation, and long-term professional growth for all employees.










## Social support and resilience

HNBF continued to demonstrate its commitment to employee wellbeing, social responsibility, and organisational resilience by extending timely support to employees and families affected by adverse weather conditions during FY 2025/26. Recognising the significant social and economic challenges caused by severe flooding and related adverse weather conditions, the Company implemented several assistance initiatives aimed at supporting affected employees and affected families to recover from the impact on their homes, livelihoods, and day-to-day living conditions.

During the year, HNBF funded flood relief assistance to more than 200 employees and family members affected by severe weather events across multiple regions. In addition, the Company established a dedicated housing assistance fund to support the restoration and repair of 12 employee residences that sustained significant damage due to flooding and related disasters. Further support was also extended to 32 affected families in the Nuwara Eliya region as part of the Company's broader community care and employee welfare initiatives.

These initiatives reflected HNBF's people-centric culture and its commitment to supporting employees beyond the workplace during times of difficulty and uncertainty. The Company believes that fostering resilience, compassion, and social solidarity is essential to strengthening long-term employee wellbeing and organisational sustainability. Through these efforts, HNBF continued to reinforce a culture of care, inclusivity, and collective support while contributing towards the recovery and resilience of affected communities and employees.

### Employee volunteerism

Employee participation remained an important enabler of HNBF's community initiatives. Through financial literacy workshops, donation campaigns, blood donation activities, and other outreach programmes, employees contributed directly to the Company's social impact agenda. This strengthened the connection between HNBF's people and the communities they serve, while reinforcing a culture of empathy, service, and shared responsibility.

## A snapshot of community development

| Focus Area | FY2025/26 Initiative | Voluntary hours | Percentage of funds invested (%) |
|---|---|---|---|
| Access to education | Women's Day knowledge-sharing and empowerment programme, together with financial literacy initiatives aimed at improving financial awareness and responsible decision-making. | 580 | 11 |
| Community wellbeing | Community-focused Dansal initiative and blood donation programme, supporting social well-being, employee volunteerism, and community care. | 1,470 | 17 |
| Disaster recovery | Flood relief assistance provided to support affected employees, families, and communities in recovering from adverse weather-related impacts. | 440 | 72 |

Through these initiatives, HNBF continued to strengthen its social impact by combining financial inclusion, education, health, wellbeing, and employee volunteerism. The Company's community development programmes reflect its commitment to creating shared value, supporting underserved communities, and contributing to inclusive socioeconomic progress.

## Risk management and opportunity response

HNBF's Social and Relationship Capital is founded on stakeholder trust, responsible conduct, and long-term relationship value. The Company manages related risks through its broader governance, compliance, customer engagement, supplier management, cybersecurity, and sustainability frameworks.

### Key relationship risks

HNBF recognizes that maintaining strong and trusted relationships with customers, business partners, employees, regulators, and communities is essential to sustainable value creation and long-term business resilience. As a customer-focused financial institution operating within a dynamic and evolving environment, the Company remains exposed to a range of relationship, operational, technological, social, and regulatory risks that may impact stakeholder confidence, reputation, and long-term sustainability.

Customer-related risks include weakening stakeholder trust arising from customer dissatisfaction, service disruptions, cybersecurity incidents, data privacy breaches, affordability pressures, changing customer expectations, and increasing competition within the financial services sector. These factors may affect customer confidence, repayment behaviour, relationship continuity, and market positioning.

Business partner and supplier-related risks include operational disruptions, service quality failures, cybersecurity weaknesses, non-compliance with regulatory or ethical standards, and dependency on third-party service providers. Such risks may impact operational continuity, customer service delivery, regulatory compliance, and reputational strength.

Community and social impact-related risks include limited financial literacy, economic vulnerability within underserved communities, weak stakeholder engagement, inadequate visibility of social impact initiatives, and increasing ESG-related expectations from regulators, investors, and society. Failure to effectively address these areas may reduce stakeholder trust, social relevance, and long-term relationship value creation.

### Risk mitigation approach

HNBF continues to strengthen its stakeholder engagement, governance, operational resilience, and responsible business practices to proactively manage relationship-related risks across customers, business partners, and communities.

To strengthen customer trust and relationship continuity, the Company continued to enhance responsible lending practices, affordability assessments, portfolio diversification strategies, customer grievance handling mechanisms, and customer engagement processes. Investments in cybersecurity governance, information security controls, data protection mechanisms, and digital resilience initiatives also continued during the year to safeguard customer information and strengthen confidence in digital service channels.

To manage business partner and supplier-related risks, HNBF continued to strengthen vendor due diligence, supplier evaluation processes, performance monitoring mechanisms, and third-party risk management practices. Ethical business conduct, procurement governance, regulatory compliance, and structured engagement processes remained integral to maintaining resilient and mutually beneficial partner relationships.

The Company also continued to strengthen community engagement and social impact initiatives through financial literacy programmes, empowerment initiatives, employee volunteerism, and inclusive community development efforts aligned with stakeholder expectations and broader social development priorities. ESG considerations, ethical governance practices, transparent stakeholder communication, and continuous feedback mechanisms remained embedded across operations to support long-term stakeholder confidence, responsible growth, and sustainable social value creation.

| Key relationship risk | Management and strategic response |
|---|---|
| Customer affordability pressures | Strengthen responsible lending, affordability assessments, financial literacy programmes, and tailored repayment support structures |
| Digital trust and data privacy risks | Enhance cybersecurity governance, customer data protection controls, digital resilience, and transparent customer communication |
| Supplier and third-party risks | Strengthen vendor due diligence, procurement governance, ESG-focused supplier practices, and third-party performance monitoring |
| Community vulnerability and financial exclusion | Expand financial inclusion initiatives, financial literacy programmes, SME financing, and community empowerment initiatives |
| Reputational and stakeholder trust risks | Maintain ethical business conduct, transparent stakeholder engagement, responsive grievance handling mechanisms, and service quality improvements |
| Competitive pressure and changing customer expectations | Enhance customer experience, digital engagement, personalised service delivery, and customer loyalty initiatives |
| Regulatory and ESG expectation risks | Strengthen compliance governance, ESG integration, sustainability-related stakeholder engagement, and responsible business practices |

# Future priorities

Looking ahead, HNBF will continue to strengthen its Social and Relationship Capital by deepening customer trust, improving service responsiveness, strengthening business partner relationships, expanding community impact, and aligning stakeholder engagement with its broader sustainability agenda.

## Customers

### Short-term

In the short term, HNBF will focus on strengthening customer experience and responsiveness across branch and digital channels, improving complaint resolution, expanding financial literacy and responsible lending awareness initiatives, and reinforcing cybersecurity and customer data protection. The Company will also work to improve customer retention through personalised engagement and relationship management, strengthening trust and long-term customer loyalty.

### Medium-term

Over the medium term, the Company aims to expand digital financial services and integrated customer platforms to improve accessibility, convenience, and service consistency. HNBF will also use customer insights and data analytics to improve personalisation, cross-selling, and relationship management.

### Long-term

In the long term, HNBF seeks to position itself as a trusted, customer-centric, and sustainability-focused financial institution with an integrated digital and relationship banking ecosystem. The Company will aim to strengthen long-term customer loyalty through innovative, accessible, and ESG-aligned financial solutions, while supporting inclusive economic growth through wider financial participation and responsible financing practices.

## Business partners

### Short-term

In the short term, HNBF will strengthen supplier evaluations, third-party governance, compliance monitoring, and engagement with key service providers and operational partners. The Company will also enhance cybersecurity and information security expectations across outsourced operations, while building stronger operational resilience through reliable supplier and vendor relationships.

### Medium-term

Over the medium term, the Company expects to further integrate ESG and sustainability considerations into procurement and supplier management, while strengthening partnerships with technology providers, fintech collaborators, product partners, and service providers to support innovation. HNBF will also improve operational efficiency through greater digital integration and collaboration with business partners, while strengthening supplier performance management and continuity planning mechanisms.

### Long-term

In the long term, HNBF aims to build a resilient and sustainability-focused partner ecosystem aligned with its long-term strategy, supporting innovation, responsible conduct, scalability, and shared value creation across the value chain. The Company will promote responsible business practices and ESG alignment throughout its value chain, while strengthening collaborative partnerships that enhance competitiveness and long-term stakeholder value creation.

## Community

### Short-term

In the short term, HNBF will continue to strengthen its community engagement and social impact initiatives by expanding financial literacy, responsible borrowing awareness, and empowerment programmes targeting underserved and financially vulnerable communities. The Company will also enhance stakeholder engagement and improve the visibility and effectiveness of its CSR and community development initiatives through more responsive, need-based interventions. In parallel, HNBF will continue to support SME development, livelihood enhancement, and community resilience initiatives aligned with immediate social and economic priorities, reinforcing its commitment to inclusive and sustainable community development.

### Medium-term

Over the medium term, HNBF aims to deepen inclusive financing and expand regional market penetration to improve access to responsible financial services across underserved communities. The Company will continue to build long-term community partnerships focused on entrepreneurship, education, financial empowerment, livelihood development, and broader socioeconomic resilience. HNBF also intends to strengthen the measurement, monitoring, and reporting of social impact and ESG-related community outcomes, while aligning community investment initiatives with its broader sustainability, stakeholder engagement, and integrated reporting priorities.

### Long-term

In the long term, HNBF aims to reinforce its position as a socially responsible financial institution contributing to inclusive national development. Through sustainable financing, financial empowerment, and lasting community partnerships, the Company seeks to support socioeconomic resilience, reduce regional inequalities, and strengthen financial inclusion across Sri Lanka.

## Social and Relationship Capital





### HNB FINANCE is a company that remains integrated into our lives

*It has been 10 years since I got married and moved to Welimada. My husband is a farmer by profession. Our farm spans about one and a half acres, and we cultivate a variety of vegetable crops there, including potatoes, cabbage, carrots, and beans. Last season, we cultivated cabbage and these days we are preparing the land for potato cultivation. I often help my husband with farming activities as well. We first got acquainted with HNB FINANCE nearly 20 years ago, when it was known as "Ceylinco Grameen". Since then, we have obtained loans ranging from LKR 5,000 to LKR 200,000 from HNB FINANCE and it is a company that remains integrated into our lives. Today, if we have achieved any form of success, that is all due to the immense support from HNB FINANCE. In the future, I plan to obtain a vehicle lease from HNB FINANCE so that I can buy my son a motor bicycle or a three wheeler.*

Susantha Ranjani Pathirana

Mahakandura, Bogahakumbura





### The mutual understanding among us is the most important thing

*I run a boutique grocery store. It has been over two years since I started this business. Other than groceries, I also provide breakfast for students from two classes in the school in our locality. To do all this, I start my day at around 3.30 a.m. By 6:30 a.m., we've delivered the breakfast we've prepared to the school. By 8:00 a.m., we finish serving breakfast to the students and return home to open the grocery store.*

*We mainly sell everyday grocery items that are convenient for daily use. I first got acquainted with HNB FINANCE around 3 years ago when I started my business. Back then, I needed the support of a financial institute to invest in the capital needed for the business. HNB FINANCE helped me immensely to achieve this objective, providing me with several loans of around LKR 250,000 at a time. When you are a business owner, you often face unexpected financial difficulties. In such instances, HNB FINANCE always tries to provide us with timely and adequate loans. That is such a great strength for SME owners like us.*

K Ishani Jeewantha Janaka

Welimada





## I Can Never Forget the Support HNBF Gave Me to Start My Business

*Located at the Yaakala Junction in Kaduwela, Amodya Bookshop and Gift Centre is a well-known business in the area. Its owner, Chathuri Hansika Henadheera, shared her entrepreneurial journey with us. "I started my bookshop in 2019. I launched the business in a shop premises that I rented at Yaakala Junction. At first, I stocked only a small range of school books and stationery items. Around 2020, I obtained a loan of LKR 50,000 from HNBF and used it to purchase additional stock. As the business grew, we expanded beyond school supplies and stationery. We began selling household essentials such as plastic ware, kitchen utensils, and home goods that people use in their daily lives. I have obtained loans of up to LKR 800,000 from HNBF on about four occasions. At that time no bank in the area was willing to grant us a loan. HNBF was the only institution that believed in us and provided financial assistance. No matter how many other banks are available today, we continue to do business with HNBF because of the support and trust they showed us from the very beginning. It is our way of appreciating the helping hand they extended to us when we needed it most. Our relationship with HNBF goes beyond business loans. When I purchased my three-wheeler, I also obtained the leasing facility through HNBF . In addition, whenever the shop faces an urgent cash requirement, we do not hesitate to use HNBF's ''Ran Naya'' (gold loan) service. Just as we are willing to obtain loans, we are equally committed to repaying them on time. Because of this, the mutual trust between HNBF and us remains as strong and secure today as it was when we first began our relationship."*

Chathuri Hansika Heanadheera

Kaduwela





## The easiest place to obtain loans

*In her house which is under construction, the second floor is yet to be completed. She wanted to get it completed as she intends to allocate that space for her carpets business. When we reached her residence, Mrs Rajitha Lekhani was already busy with her usual, daily business operations.*

*"It has been about 5 to 6 years since I started this carpets business. Apart from that, I also sew ladies' clothes not as another business but to meet requirements of customers from the neighborhood. However, I sell the carpets I make through stores and occasionally from home as well. I became a customer of HNB FINANCE around 8 years ago. Soon after, I started this business. First, I obtained a loan of LKR 25,000 and then an instant loan of LKR 15,000. I used all that money as capital for my carpets business. At present, I have obtained loans worth LKR 100,000 and LKR 200,000. The reason behind the close connection we have built with HNB FINANCE is the mutual trust we have fostered. HNB FINANCE also has a lesser interest rate. More than that, I highly appreciate how HNB FINANCE representatives visit us personally to assist with any requirements. Such support is a great help for small business owners like us.*

Rajitha Lekhani

Uyanwaththa, Matara

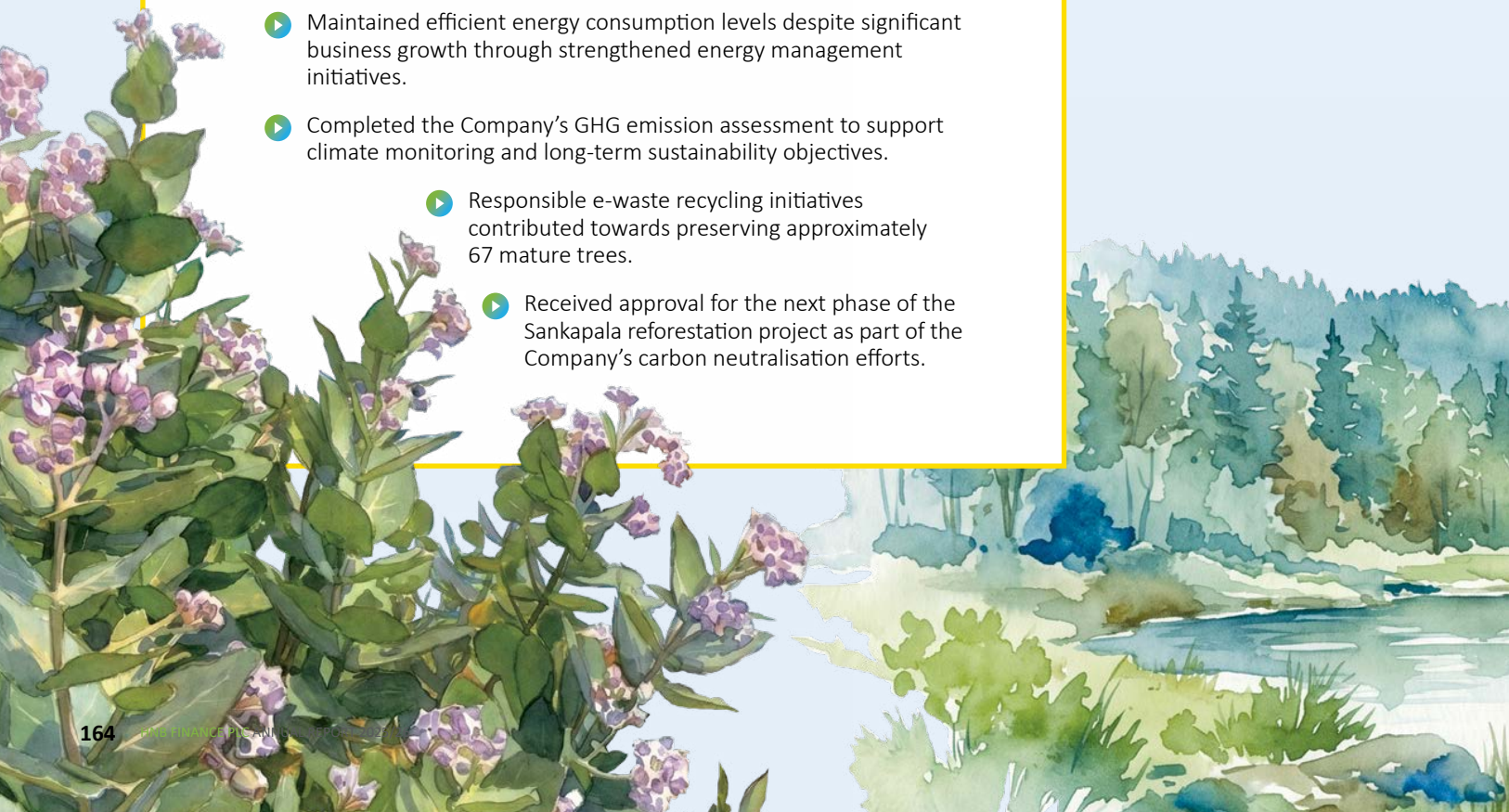
# Natural Capital

**Natural Capital refers to the renewable and non-renewable environmental resources that support HNB Finance PLC's operations and the wider economy, including air, water, energy, land, biodiversity, and ecological systems. As a financial services institution, HNBF's direct environmental footprint remains relatively moderate compared to resource-intensive industries. However, the Company recognises that responsible environmental management is essential to operational efficiency, regulatory compliance, stakeholder trust, and long-term business resilience.**

During FY 2025/26, HNBF continued to strengthen its approach to Natural Capital by focusing on resource efficiency, renewable energy adoption, responsible waste management, environmental risk awareness, and the gradual integration of environmental considerations into business decision-making. The Company's environmental efforts are also increasingly connected to its broader sustainability agenda, including sustainable finance, digitalisation, climate risk awareness, and improved environmental disclosures.

## HIGHLIGHTS

- Maintained efficient energy consumption levels despite significant business growth through strengthened energy management initiatives.
- Completed the Company's GHG emission assessment to support climate monitoring and long-term sustainability objectives.
- Responsible e-waste recycling initiatives contributed towards preserving approximately 67 mature trees.
- Received approval for the next phase of the Sankapala reforestation project as part of the Company's carbon neutralisation efforts.



## Management approach

HNBF adopts a proactive and structured approach to managing Natural Capital by embedding environmental considerations into operations, risk management, and sustainability governance. The Company's approach is guided by its broader ESG Policy, which promotes efficient energy usage, reduction of paper consumption through digitalisation, responsible disposal of electronic and office waste, and employee awareness on environmental sustainability.

Operationally, the Company focuses on reducing its environmental footprint through energy efficiency initiatives, water conservation practices, responsible waste handling, digital documentation, and the use of renewable energy where feasible. In parallel, environmental considerations are increasingly recognised within financing decisions, particularly in relation to sectors that may carry higher environmental or climate-related risks.

## Analysis of the natural capital influence on other capitals

**FINANCIAL CAPITAL**

Supports cost savings and long-term value creation by reducing resource usage, mitigating environmental risks, and enabling access to green financing opportunities.

**INTELLECTUAL CAPITAL**

Fosters innovation in sustainable product development, process optimisation, and environmental risk management through knowledge sharing which in turn influence HNBF's position as a sustainable entity.

**MANUFACTURED CAPITAL**

Drives the adoption of eco-efficient infrastructure, energy-efficient technologies, and sustainable building practices, resulting in reduced operational impacts.

**HUMAN CAPITAL**

Enhances employee health, morale, and productivity through improved environmental conditions and a culture that values ecological responsibility and stewardship.

**SOCIAL AND RELATIONSHIP CAPITAL**

Strengthens stakeholder trust and brand equity by demonstrating corporate responsibility, community engagement, and transparent environmental governance.

## Stakeholder impact

- Business Partners
- Customers
- Regulators
- Community and Environment
- Shareholders
- Employees

## Commitment to SDGs



## Creating value within the Company

HNBF's Natural Capital contributes to the Company's long-term resilience by improving resource efficiency, strengthening environmental accountability, supporting regulatory readiness, and reducing the environmental footprint of operations. While the Company's direct environmental impact remains moderate due to the nature of its financial services operations, its branch network, office operations, energy use, water consumption, waste generation, and financing decisions continue to shape its environmental performance. During FY 2025/26, the Company managed electricity consumption to approximately 2.5 million units, water consumption to 21,052 units, generated 21,631 units of solar energy, and reduced e-waste to 657 kg from 800 kg compared to the previous year.

Natural Capital creates value for HNBF by lowering resource-related costs, improving operational discipline, and strengthening the Company's ESG positioning. Energy efficiency, solar energy utilisation, management of paper usage through digitalisation, and responsible waste management contribute to cost optimisation while supporting a more sustainable operating model. These initiatives also support stakeholder confidence by demonstrating that environmental responsibility is being embedded into business practices, rather than treated as a peripheral activity.

At the same time, Natural Capital helps preserve value by reducing environmental, regulatory, reputational, and operational risks. The integration of environmental considerations into sustainability and risk management frameworks strengthens the Company's ability to identify risks linked to resource consumption, waste management, climate exposure, and environmentally sensitive lending activities. As climate-related risks increasingly affect borrower livelihoods, collateral values, and repayment capacity, Natural Capital management becomes important not only to operational sustainability but also to credit quality and long-term portfolio resilience.

HNBF also recognises that managing Natural Capital requires strategic trade-offs. Investments in renewable energy, data collection, environmental monitoring, responsible waste disposal, and future green financing capabilities may require additional short-term cost and organisational effort. However, these investments support long-term savings, stronger compliance readiness, improved investor confidence, and greater resilience against climate and sustainability-related risks.

### Value creation model

| Value Contribution | Value Preservation | Value Trade-Offs |
|---|---|---|
| Natural Capital contributes to HNBF's performance by reducing utility costs, improving resource efficiency, supporting digitalisation, and strengthening ESG credibility. Lower electricity and water usage, solar energy generation, and reduced e-waste demonstrate how environmental management can support both operational efficiency and sustainability. | The Company preserves value by reducing exposure to environmental, regulatory, reputational, and operational risks. Responsible waste handling, environmental monitoring, digital workflows, and climate risk awareness help protect business continuity, stakeholder confidence, and future portfolio resilience. | Environmental improvements require investment in monitoring systems, renewable energy, responsible disposal, employee awareness, data quality, and future green finance capability. While these may increase short-term costs, they support long-term efficiency, compliance readiness, risk reduction, and stakeholder trust. |

## Creating value beyond our boundaries

HNBF's Natural Capital creates value for external stakeholders by supporting responsible resource use, sustainable financing, environmental transparency, and climate-aware business practices. For customers, this means engaging with a financial institution that is progressively aligning its products, operations, and risk practices with a more sustainable future. As the Company explores areas such as green financing, electric vehicle financing and sustainable lending, customers will be better positioned to make environmentally responsible financial choices while participating in Sri Lanka's transition towards a lower-carbon economy.

For shareholders and investors, Natural Capital strengthens confidence in the Company's long-term resilience. Lower energy and water consumption, improved waste management, and solar energy adoption support cost efficiency and ESG credibility. The Company's carbon footprint assessment, which recorded approximately 1,096.86 $tCO_2e$ for the FY 2025/26 period, provides an important baseline for more structured emissions tracking and future climate-related reporting. This strengthens transparency and supports investor expectations around sustainability disclosure and responsible value creation.

For regulators, Natural Capital management supports alignment with evolving ESG and climate-related disclosure expectations, including emerging frameworks such as SLFRS S1 and S2. The Company's focus on environmental data collection, responsible waste handling, credit evaluation, and governance strengthens its preparedness for more comprehensive sustainability reporting.

For business partners, HNBF's responsible waste practices, including the use of authorised recycling channels and certified waste management partners such as N.S. Green Links Lanka (Pvt) Ltd. encourages stronger environmental standards across the value chain.

For society and the environment, HNBF's Natural Capital initiatives contribute to more responsible resource consumption, cleaner energy adoption, reduced waste generation, and climate awareness. These actions support the spirit of several SDGs, particularly those relating to clean water, clean energy, responsible consumption, climate action, strong institutions, and partnerships. The Company's contribution is reflected not only in direct operational improvements, but also in its emerging role as a financial intermediary capable of influencing more sustainable customer behaviour through responsible financing decisions.

## A snapshot of value creation

| Stakeholder group | Value created through human capital | SDG alignment |
|---|---|---|
| Customers | Access to future green finance, responsible lending, and support for climate-conscious choices |  |
| Shareholders and Investors | Improved ESG positioning, reduced environmental risk, and stronger sustainability transparency |  |
| Employees | Greater awareness of environmental responsibility and resource-efficient workplace practices |  |
| Business Partners | Responsible waste handling, recycling partnerships, and opportunities for ESG-aligned collaboration |  |
| Regulators | Improved readiness for sustainability and climate-related disclosure expectations |  |
| Society and Environment | Reduced resource consumption, renewable energy adoption, carbon neutralisation initiatives, responsible waste management, and climate awareness, Carbon neutralisation activities. |  |

# Governance

HNBF's Natural Capital governance is embedded within its broader Environmental, Social and Governance framework. Environmental considerations are managed through the Company's ESG Policy, which provides direction on efficient energy use, reduction of paper consumption through digitalisation, responsible disposal of electronic and office waste, and employee awareness on environmental sustainability. The policy is periodically reviewed to ensure alignment with regulatory expectations, sustainability frameworks, and the Company's broader sustainability strategy.

Operational responsibility for environmental performance monitoring rests primarily with the Company's sustainability division. These divisions oversee the collection, consolidation, monitoring, and reporting of environmental metrics such as energy consumption, paper utilisation, waste generation, and other operational impacts. Data from branches and operational units is reviewed to identify consumption trends and opportunities for improving environmental efficiency.

Oversight of sustainability-related matters, including Natural Capital performance, is provided through the Company's governance structure, with relevant management committees and senior management reviewing sustainability initiatives and progress against environmental objectives. This ensures that environmental responsibility is connected to strategic decision-making, operational controls, regulatory compliance, and long-term stakeholder expectations.

# Natural Capital

## Governance framework




Key considerations include the avoidance of financing for activities linked to ecological degradation, damage to sensitive ecosystems, aquatic pollution, biodiversity loss, wildlife conservation threats, illegal or non-compliant forestry and timber operations, and other environmentally harmful activities. The Company also excludes support for socially detrimental industries such as narcotics and firearms, while incorporating human rights and responsible business conduct considerations, including the avoidance of child labour and forced labour-linked operations.

HNBF further considers compliance with Sri Lankan environmental regulations and relevant international environmental protocols during due diligence. The integration of ESG-based screening filters also supports the Company's broader commitment to low-carbon development, circular economy objectives, responsible lending, portfolio quality, and sustainable long-term value creation.

## Governance focus areas

| Area | Governance approach |
|---|---|
| Environmental Policy | Managed through the broader ESG Policy, with periodic review and alignment to evolving expectations |
| Operational Monitoring | Sustainability division monitor energy, paper, waste, and operational environmental impacts |
| Credit Evaluation | Environmental considerations are incorporated into credit evaluation for sectors that may pose environmental risks |
| Waste Governance | E-waste and office waste are handled through structured disposal, recycling, and vendor controls |
| Reporting Oversight | Environmental data is consolidated and used to support internal review and external reporting |

## Environmental concerns credit evaluation

HNBF incorporates environmental considerations into its credit evaluation process in line with the Company's Credit Policy, ensuring that lending decisions support responsible and sustainable financing. As part of the formal credit evaluation process, customers and projects are screened to assess their environmental practices, sustainability profile, regulatory compliance, and potential exposure to activities that may cause environmental or social harm.

## Energy efficiency

Energy consumption remains a key component of the Company's environmental footprint, with direct implications for operational sustainability and greenhouse gas emissions. As a financial institution operating through an extensive branch network across Sri Lanka, electricity derived from the national grid continues to represent the Company's primary source of energy consumption. In recognition of the growing importance of sustainable energy management, the Company continues to strengthen initiatives focused on energy efficiency, responsible consumption, and the gradual integration of renewable energy solutions. These efforts are aimed at reducing dependence on conventional energy sources, optimising operational efficiency, managing energy-related costs, and supporting broader national climate and sustainability objectives. The following section outlines the Company's electricity consumption profile and key energy-related initiatives undertaken during the financial year.

During FY 2025/26, electricity consumption reduced to 2,509,467 units, compared to 2,512,902 units in the previous year, reflecting improved energy efficiency despite the improved business activity and lending growth during the year. Electricity intensity per employee also improved during financial year 2025/26 due to reduction in employee headcount.

**2,509,467 units**

**Electricity consumption** | 2,512,902 units FY 2024/25 | Reduced ▼

**1,907**

**Number of employees** | 1,931 FY 2024/25 | Reduced ▼

**1,315 units**

**Electricity intensity per employee** | Approx. 1,301 units FY 2024/25 | Improved ▲



Despite a significant increase in business activity during the financial year, HNBF effectively managed electricity consumption compared to the previous year through continued operational efficiency and energy management initiatives. While lending growth around 90% compared to the previous year, electricity consumption demonstrates a slight comparative reduction, reflecting the impact of improved energy management practices, energy-efficient infrastructure enhancements, and branch-level monitoring. This demonstrates the Company's ability to support business expansion while maintaining responsible energy use and embedding sustainability considerations into its growth strategy.

This reduction in electricity consumption was driven by a series of initiatives carried out by HNBF.

- Digitalisation of workflows to reduce resource-intensive manual processes.
- Improved monitoring of electricity usage across branches and office locations.
- Adoption of energy-efficient lighting, including LED lighting where feasible.
- Optimisation of air-conditioning systems to reduce unnecessary energy consumption.
- Use of energy-efficient office equipment and improved utilisation of existing equipment.
- Promotion of responsible employee energy-use practices across the branch and office network.
- Employee awareness on responsible energy usage across all the staff members.
- Maintenance of electrical systems and equipment to improve efficiency.

## Water conservation

Water remains one of the world's most valuable natural resources and plays a critical role in sustaining ecosystems, communities, public health, and economic activity. Increasing environmental pressures, climate-related challenges, and rising resource demand continue to highlight the importance of responsible water management and long-term conservation efforts. Recognising the significance of water stewardship, the Company considers efficient water management as an important component of its broader environmental sustainability agenda.

As part of its ongoing commitment towards responsible resource utilisation, the Company continues to promote prudent water consumption practices across its operational network. Efforts undertaken during the financial year included strengthening employee awareness on responsible water usage, implementing conservation-focused operational practices, and enhancing infrastructure to support efficient water management. These initiatives contributed towards maintaining controlled water consumption levels during the year while supporting the Company's broader environmental and sustainability objectives. Through these continuous efforts, the Company remains committed to fostering a culture of responsible resource stewardship and contributing towards long-term environmental resilience.

**21,052 units**

**Water consumption** | 21,352 units FY 2024/25 | Reduced ▼

**1,907**

**Number of employees** | 1,931 FY 2024/25 | Reduced ▼

**11.04 units**

**Water intensity per employee** | Approx. 11.06 units FY 2024/25 | Reduced ▼



# Natural Capital

Despite the notable expansion in our operational activities and business growth, a series of water conservation measures helped HNBF achieve a reduced level of water consumption.

- Continuous monitoring of water consumption across branches and office locations.
- Timely maintenance of plumbing systems to prevent leakage and waste.
- Employee awareness on responsible water usage across the operational network.
- Promotion of prudent water consumption practices in day-to-day operations.
- Use of water-efficient fixtures, such as low-flow taps and dual flush systems, where feasible.
- Conservation-focused operational practices across branches and offices.
- Improved cleaning and maintenance practices to minimise unnecessary water usage.

## Emissions management

Greenhouse gas emissions represent the release of climate-impacting gases such as carbon dioxide, methane, and nitrous oxide into the atmosphere. For HNBF, emissions arise mainly from electricity consumption across its branch and office network, fuel use from standby generators, and other operational activities. During FY 2025/26, the Company took an important initial step towards strengthening climate accountability by calculating its Scope 1 and Scope 2 GHG emissions.

The assessment recorded total emissions of approximately 1,096.86 $tCO_2e$, of which the largest component was Scope 2 emissions from grid-connected electricity, amounting to 1,083.72 $tCO_2e$. Scope 1 emissions, mainly from fire extinguishers and standby generator use, amounted to 14.14 $tCO_2e$. Based on 1,907 employees as at March 2026, HNBF's total GHG emissions intensity stood at approximately 0.58 $tCO_2e$ per employee.

| Scope | Emission Source | Emissions |
|---|---|---|
| Scope 1 | Fire extinguisher | 0.35 $tCO_2e$ |
| Scope 1 | Standby generator | 13.79 $tCO_2e$ |
| Total Scope 1 | Direct emissions | 14.14 $tCO_2e$ |
| Scope 2 | Grid-connected electricity | 1,083.72 $tCO_2e$ |
| Totaled assessed emissions | FY 2025/26 | 1096.86 $tCO_2e$ |
| GHG intensity | Based on 1,907 employees | 0.58 $tCO_2e$ per employee |

This assessment provides HNBF with a clearer emissions baseline for future climate-related reporting, target-setting, and reduction initiatives. As electricity consumption remains the largest source of assessed emissions, the Company's continued focus on energy efficiency, solar energy generation, responsible equipment use, and digitalisation will be central to reducing its emissions intensity over time.



ClimateSI

**CARBON CONSCIOUS CERTIFICATE**

**Climate Smart Initiatives (Pvt) Ltd** assures that GHG Inventory of

**HNB Finance PLC**

for the financial year 2025/26

has been measured and reported in accordance with the requirements of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)

Certificate No. : ClimateSIMRV/066

Date of Certification : 05. 06. 2026

Period of Assessment : 01. 04. 2025 to 31. 03. 2026

Scope of Certification : Financially controlled business activities belongs to HNB Finance PLC

Scope 01 : 14 tonnes of $CO_2$ equivalent

Scope 02 : 1,084 tonnes of $CO_2$ equivalent

Scope 03 : 118 tonnes of $CO_2$ equivalent

**Total** : **1,216** tonnes of $CO_2$ equivalent

Eng.H.M.Buddika Hemashantha
(BSc(Hons)Eng.,M.Eng.)
Director
Climate Smart Initiatives (Pvt) Ltd

Scope 1 Emissions : Stand by generators, Fire extinguishers

Scope 2 Emissions : Grid-connected electricity

Scope 3 Emissions : Transmission and distribution loss, Municipal water

Exclusions: Other emissions sources in Scope 1 and Scope 3 (Refrigerant, Transport, Waste disposal, Financial emissions etc.)

Period of validity: 01. 04. 2026 to 31. 03. 2027

## The 4R approach: Reduce, Reuse, Recycle and Recover

HNBF's resource efficiency approach is guided by the principles of Reduce, Reuse, Recycle and Recover, with particular emphasis on managing paper consumption as the Company continues to balance physical documentation requirements with its digital transformation agenda. A4 paper remains one of the Company's key operational inputs, especially across branch, credit, documentation, and customer service processes.

| Indicator | FY 2025/26 | FY 2024/25 |
|---|---|---|
| A4 paper consumption (sheets) | 5,350,250 | 4,866,500 |
| Number of employees | 1,907 | 1,931 |

Despite the considerable increase in business volumes and operational activity during the financial year, HNBF maintained the growth in A4 paper consumption at approximately 10%, compared to previous year when lending growth around 90%. This reflects the Company's progress in improving resource utilisation efficiency while supporting rapid business expansion. Increased adoption of digital platforms, process streamlining, technology-enabled workflows, and stronger monitoring of stationery usage helped reduce dependency on physical documentation across several functions. These efforts demonstrate HNBF's continued focus on embedding sustainability, operational efficiency, and digital transformation into day-to-day business practices.

## Waste management

HNBF's approach to waste management is guided by responsible resource use, environmental compliance, and operational discipline across its branch and office network. As a financial services provider, the Company's waste profile is mainly linked to office-based activities, including e-waste, paper and packaging, and food and biodegradable waste.

### E-Waste management

Electronic waste remains an important environmental consideration for HNBF due to the potential environmental and data security risks associated with the improper disposal of obsolete technology assets. As part of its commitment to sustainable operations and responsible resource management, the Company ensures that outdated computers, printers, communication devices, and related electronic equipment are not disposed of through general waste channels, but are collected, assessed, sanitised, and directed to authorised recycling partners.

During FY 2025/26, HNBF generated 657 kg of e-waste, compared to 800 kg in FY 2024/25, reflecting a reduction of approximately 18%. This improvement demonstrates better asset lifecycle management, responsible utilisation of IT equipment, and continued efforts to extend the usable lifespan of electronic assets where feasible. Prior to disposal, appropriate data sanitisation procedures were carried out to protect information security, customer confidentiality, and organisational data integrity.

The Company continued its partnership with N.S. Green Links Lank (Pvt) Ltd., a licensed electronic waste recycling partner, to ensure that e-waste and other applicable waste streams were handled and disposed of in an environmentally responsible manner. The initiative also generated positive environmental outcomes, including the preservation of 67 mature trees, while contributing to reduced environmental harm from improper e-waste recycling. This approach aligns with HNBF's broader Reduce, Reuse, Recycle and Recover philosophy and reinforces the Company's commitment to responsible waste management, resource conservation, and sustainable operational practices.

The Company also continued to strengthen employee awareness relating to responsible electronic waste management, including its safe disposal. Through the continuation of these initiatives, HNBF remains committed to promoting environmentally responsible waste management practices, supporting resource conservation efforts, and embedding sustainability considerations within its day-to-day operational activities.

### Paper reduction and digitalisation

Responsible paper consumption and effective waste management remain important components of the Company's broader environmental sustainability agenda. As the Company continues to expand its operational activities and customer reach, emphasis is placed on balancing business growth with efficient resource utilisation through the adoption of sustainable and technology-driven practices.

During the financial year, the Company recorded only a moderate increase in paper consumption despite achieving a significant increase in lending and overall business volumes. This reflects the effectiveness of the Company's continued focus on operational efficiency and the optimisation of digitalisation initiatives implemented across the organisation. Several operational and customer service functions were further streamlined through the use of digital workflows, centralised document management systems, workflow automation tools, and enhanced digital approval and reporting mechanisms. The continued adoption of electronic communication channels, digitally integrated operational processes, and system-driven documentation practices contributed towards reducing reliance on paper-based processes across the branch network and Head Office operations.

In parallel, the Company continued to strengthen responsible printing practices and employee awareness initiatives relating to efficient paper utilisation through the implementation of internal sustainability measures, including the continued promotion of "Print Only When Necessary" practices. These initiatives supported more disciplined resource utilisation while accommodating the Company's expanding operational requirements.

The Company also continued to promote responsible post-consumer paper waste management and recycling practices to minimise the environmental impact associated with paper waste generation. Through these ongoing efforts, the Company remains committed to enhancing operational sustainability, improving resource efficiency, and advancing its long-term digital transformation objectives.

### Food waste management

As part of the Company's ongoing commitment to environmental sustainability and responsible waste management, measures have been implemented to ensure the proper handling and productive utilisation of food waste generated through staff facilities and corporate activities. While food waste does not represent a material operational byproduct, the Company recognises the importance of minimising all forms of waste and promoting environmentally responsible disposal practices.

Food and biodegradable waste generated by HNBF primarily arises from staff facilities, meetings, staff welfare activities, corporate events, and day-to-day branch and office operations. During the year, food waste generated through Company operations was redirected for productive use within local agricultural activities, including use as animal feed by surrounding farming communities and small-scale businesses. This approach helped reduce the volume of organic waste directed to landfill sites, thereby supporting lower greenhouse gas emissions associated with food waste decomposition.

Beyond its environmental benefits, the initiative also strengthened community engagement by supporting local resource-sharing practices and encouraging circular economy principles. Through responsible disposal, segregation where feasible, and coordination with approved waste management mechanisms, HNBF continues to promote a culture of responsible consumption, cleaner workplace practices, and operational environmental stewardship across the organisation.

| Indicator | FY 2025/26 | FY 2024/25 | Movement |
|---|---|---|---|
| Food and biodegradable waste generated | 2,492 kg | 3,300 kg | Reduced by approx. 24% |

## Carbon neutralising efforts

HNBF's carbon neutralising efforts combine direct environmental stewardship with opportunities to influence more sustainable customer behaviour through its financing activities. The following initiatives reflect how the Company seeks to reduce its environmental impact while contributing to broader climate resilience and sustainable development.

## Our forestation project

As part of HNBF's carbon neutralising efforts and broader commitment to Natural Capital preservation, the Company received approval during the financial year to proceed with the reforestation of 5 acres in the Sankapala area of Embilipitiya. Following initial engagement and groundwork carried out in collaboration with environmental authorities, HNBF is progressing with the reforestation of land within the conservation area.

The project forms part of the Company's climate action and environmental stewardship agenda, supporting ecosystem restoration, biodiversity conservation, soil protection, groundwater retention, and long-term carbon sequestration. By contributing to the restoration of degraded forest areas, HNBF seeks to enhance natural habitats, improve ecological resilience, and support the regeneration of green cover beyond its direct operational footprint.

The value created through this initiative extends beyond carbon absorption. Improved forest cover supports groundwater retention, soil conservation, and the natural water resources and environmental systems that nearby communities depend on. The project also supports HNBF's broader decarbonisation and sustainability objectives by promoting natural carbon absorption through expanded forest cover. Through the continuation of this initiative, HNBF reinforces its role as a responsible financial institution committed to creating long-term ecological and community value through sustainable Natural Capital management.

In addition to its environmental contribution, the initiative is expected to generate positive benefits for nearby communities that rely on the surrounding forest ecosystem and water resources linked to the Sankapala area. The restoration of forest cover contributes towards improved groundwater retention, soil conservation, and long-term environmental sustainability within the region.

The project also supports the Company's broader decarbonisation and sustainability objectives by promoting natural carbon absorption through the expansion of forest cover. Through the continuation of this initiative, the Company remains committed to supporting responsible environmental conservation efforts and creating long-term ecological and community value through sustainable natural capital management practices.

## Green Financing

Alongside forestation, HNBF recognises green financing as an important pathway for extending its Natural Capital impact through its core business model. Accordingly, the Company continues to explore opportunities to support customers in adopting environmentally responsible assets and practices, including electric vehicles, energy-efficient equipment, solar-related solutions, and other sustainable financing opportunities.

Green financing enables HNBF to contribute to climate action while creating new avenues for responsible portfolio growth. By encouraging customers to transition towards lower-emission and resource-efficient choices, the Company can support environmental outcomes, strengthen its ESG positioning, and build a more future-ready lending portfolio aligned with evolving regulatory, market, and stakeholder expectations.

# Risk management and opportunity response

HNBF's Natural Capital risk management approach recognises both operational environmental risks and portfolio-related climate risks. Operational risks include energy consumption, water use, waste management, regulatory compliance, and responsible disposal of electronic equipment. These risks are monitored through internal controls, sustainability data collection, operational review mechanisms, and responsible vendor engagement.

The Company also recognises that climate risk can affect customers and portfolio quality. Physical risks such as floods, droughts, heat stress, and extreme weather events may affect borrower livelihoods, business continuity, collateral values, and repayment capacity. This is particularly relevant for customers in climate-sensitive sectors such as transport, agriculture, micro enterprise activities, and regions exposed to environmental disruption. Transition risks may arise from fuel price volatility, regulatory changes, shifts in vehicle technology, customer preferences, and the broader move towards a low-carbon economy.

HNBF's strengths in managing these risks include its relatively low direct environmental footprint, early adoption of renewable energy, reduction in electricity and water consumption, responsible e-waste management, initial ESG governance structures, and transition towards a more secured lending portfolio. However, areas requiring further strengthening include deeper integration of climate risk into credit evaluation, improved environmental data systems, stronger portfolio-level climate analytics, and development of a more structured sustainable finance framework.

## Risk management and opportunity response approach

| Risk/opportunity area | HNBF response |
|---|---|
| Climate-related credit risk | Gradually integrate climate and environmental considerations into credit assessments, particularly for sectors such as transport and agriculture, to further strengthen risk evaluation and portfolio resilience. |
| Operational environmental footprint | Continue energy, water, paper, and waste reduction initiatives. |
| Regulatory and disclosure expectations | Strengthen environmental data collection and reporting readiness for ESG and SLFRS S1 and S2 expectations. |
| Waste and e-waste risk | Use authorised waste management partners and strengthen data sanitisation procedures. |
| Green finance opportunity | Develop sustainable finance products such as EV financing and energy-efficient asset financing. |
| Investor and stakeholder confidence | Improve transparency through emissions tracking, environmental reporting, ESG communication, and progressive alignment with SLFRS S1 and S2 sustainability disclosure requirements. |

# Future priorities

## Short term

In the short term, HNBF will focus on strengthening the foundations of Natural Capital management by improving environmental data collection, enhancing resource monitoring, and strengthening alignment with evolving ESG and sustainability disclosure expectations. Particular attention will be placed on energy usage, emissions tracking, water consumption, waste management, and basic portfolio exposure to climate-sensitive sectors.

The Company will also continue operational efficiency initiatives through solar energy utilisation, paperless processes, digitalisation, and employee awareness. Initial steps will be taken to improve climate risk awareness within credit evaluation, particularly for higher-risk sectors such as transport and agriculture.

## Medium term

Over the medium term, HNBF aims to develop a more structured sustainable finance and green lending framework. Potential areas of focus include electric vehicle financing, solar-related products, and financing solutions that support customers transitioning towards more sustainable lifestyles and business practices.

The Company also expects to strengthen ESG governance and reporting, expand environmental disclosures, improve climate-related data analytics, and explore opportunities for ESG-linked or concessional funding from development finance institutions. Climate risk integration into credit models and risk rating systems will become increasingly important as the Company strengthens its portfolio resilience.

## Long term

In the long term, HNBF aims to position itself as a recognised sustainable finance provider within the non-bank financial sector. This will require full integration of climate and environmental risks into integrated risk management, strategy, product design, and portfolio planning.

The Company's long-term aspiration is to build a more resilient, low-risk, and future-ready portfolio with greater exposure to sustainable sectors and environmentally responsible customers. By continuously adapting to evolving regulatory, environmental, and market expectations, HNBF seeks to strengthen investor confidence, support national sustainability objectives, and create long-term value while protecting the natural systems that underpin economic and social wellbeing.

# Business Transformation

## Introduction to business transformation

During FY 2025/26, HNB Finance PLC (HNBF) continued to advance its business transformation journey with a clear focus on building a more resilient, efficient, customer-centric, and digitally enabled financial institution. The transformation agenda reflects the Company's strategic shift towards a more secured, risk-calibrated, and sustainable business model, supported by improvements in technology, processes, people capability, operational discipline, and customer service delivery.

Rather than approaching transformation as a one-off programme, HNBF views it as a continuous evolution of the way the organisation operates, serves customers, manages risk, and creates value. During the year, transformation initiatives were directed towards improving operational efficiency, reducing manual intervention, strengthening cost discipline, enhancing customer convenience, and embedding greater accountability across business functions. This approach supports the Company's long-term ambition of becoming a more agile, scalable, and future-ready financial services provider.

The transformation journey was also closely aligned with HNBF's broader strategic priorities, particularly portfolio quality improvement, secured lending growth, digital enablement, organisational capability development, and sustainable value creation. By combining operational restructuring, process optimisation, technology adoption, and people development, the Company continued to strengthen the foundations required for disciplined growth and long-term resilience.

## Impact on other capitals

Business Transformation contributes to value creation across all capitals by strengthening operational efficiency, stakeholder trust, productivity, innovation, and long-term resilience.

| Capital | Impact of Business Transformation |
|---|---|
| Financial Capital | Strengthened financial discipline by improving cost visibility, supporting better resource allocation, and reinforcing portfolio quality through stronger collections and secured lending alignment. |
| Manufactured Capital | Improved the utilisation of branches, workspaces, equipment, and operational infrastructure by identifying underused resources and aligning assets more closely with business needs. |
| Human Capital | Enhanced productivity, accountability, and role clarity by redesigning workflows, strengthening performance expectations, and building internal capability for continuous improvement. |
| Intellectual Capital | Converted operational knowledge into structured processes, manuals, systems, and workflows, reducing ambiguity and strengthening institutional memory. |
| Social and Relationship | Improved the internal service mechanisms that support customer trust, convenience, and responsiveness through more efficient processes and better coordinated engagement channels. |
| Natural Capital | Supported more responsible resource use by reducing reliance on physical documentation, improving printing discipline, and encouraging digital workflows across operations. |

## Key pillars of business transformation

HNBF's transformation agenda is built on seven mutually reinforcing pillars that support operational resilience, customer relevance, and long-term institutional sustainability.

### Business Transformation

**TECHNOLOGY**

Provides the digital foundation for faster, more integrated, and scalable operations, improving customer access, workflow efficiency, data visibility, and service reliability.

**PROCESS**

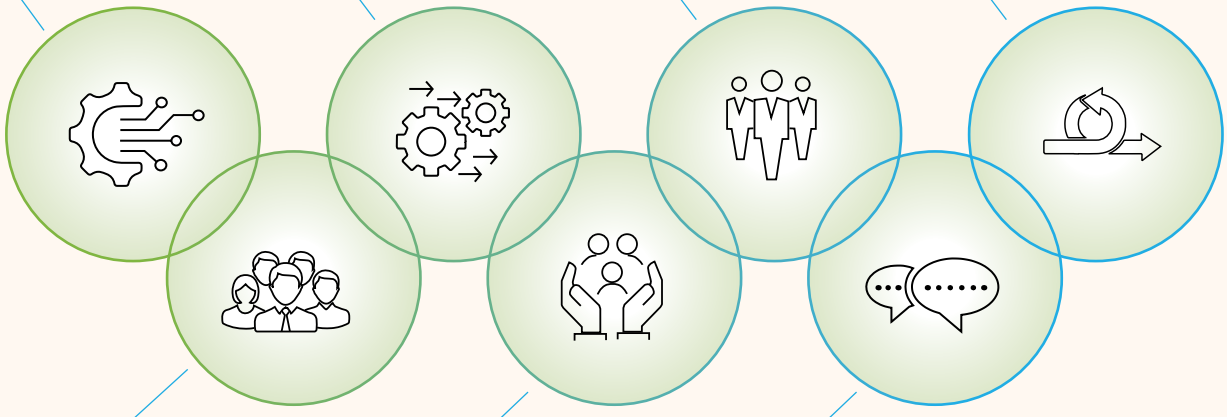
Simplifies and standardises how work is carried out, reducing duplication, improving turnaround times, and strengthening consistency across business and support functions.

**LEADERSHIP**

Provides strategic direction, sponsorship, and governance, ensuring that transformation initiatives remain focused, coordinated, and aligned with business priorities.

**AGILE**

Enables HNBF to respond quickly and responsibly to market shifts, customer expectations, regulatory developments, and operational challenges.



**PEOPLE**

Drives transformation through employee capability, accountability, collaboration, and productivity, ensuring that change is translated into consistent execution across the organisation.

**CULTURE**

Embeds a mindset of continuous improvement, cost discipline, innovation, and adaptability, enabling employees to respond positively to change.

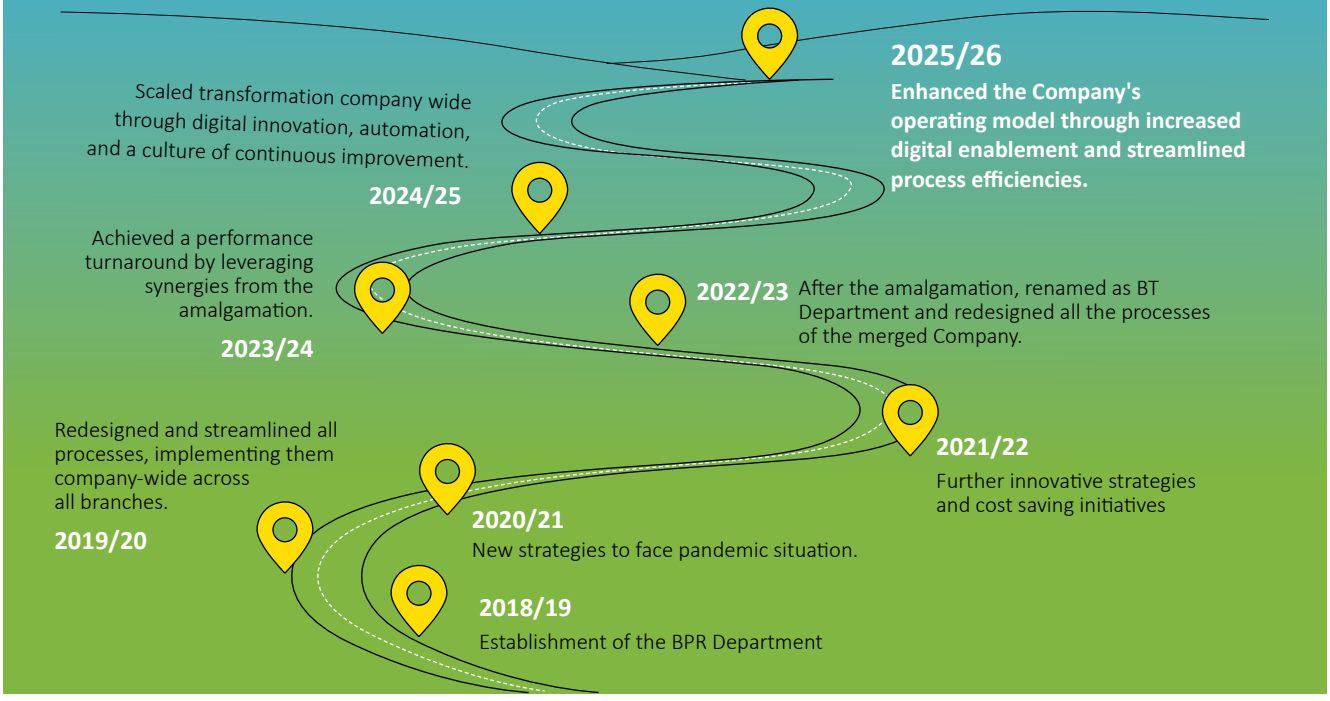
**COMMUNICATION**

Strengthens alignment across departments, branches, and support functions by ensuring that transformation priorities, progress, expectations are clearly understood.

# Business Transformation

## Our business transformation journey

HNBF's business transformation journey reflects a staged progression from operational improvement to enterprise-wide transformation.




## Governance framework

- Process Review
- Operational Simplification
- Digital Enablement
- Productivity Improvement
- Cost Optimisation
- Customer Experience Enhancement
- Future-Ready Business Model

## Areas of transformation

HNBF's business transformation during FY 2025/26 was driven through four core enablers: strategy, process, technology, and people. These enablers worked together to strengthen the Company's transition towards a more resilient, secured, risk-calibrated, digitally enabled, and customer-focused operating model. The transformation agenda was therefore not limited to systems or process changes; it represented a wider organisational shift in how HNBF grows, serves customers, manages risk, builds capability, and creates long-term value.

### Strategy and business model transformation

Strategy and business model transformation remained central to HNBF's transformation journey. During the year, the Company continued to reposition itself towards a more secured and risk-calibrated business model, with stronger emphasis on portfolio quality, disciplined growth, funding stability, and sustainable profitability. This shift was reflected in the greater focus placed on secured and asset-backed lending segments such as leasing, gold loans, and land and housing financial solutions, while more cautious management was applied to higher-risk portfolios.

A key project supporting this shift was the competitor analysis carried out for Two Wheelers (2W), Three Wheelers (3W) and Four Wheelers (4W) business lines. This enabled the Company to review market practices, pricing dynamics, documentation requirements, and customer expectations with key leasing segments. The insights gathered supported strategic refinements to HNBF's secured lending proposition, helping the Company strengthen market responsiveness while maintaining risk discipline.

Through this approach, HNBF towards a business model focused on quality growth, customer affordability, portfolio resilience, and long-term stakeholder confidence.

## Process transformation

Process transformation focused on making the Company's operations leaner, faster, more consistent, and better controlled. During the year, HNBF continued to review and improve key operational workflows across selected business and support functions, with emphasis on reducing duplication, simplifying documentation, improving turnaround times, and strengthening accountability.

The Gold Loan Process Improvement Project was a key example of this transformation. The project addressed audit observations, revised operational opening and closing times, assigned staff for daily gold loan audits, incorporated KYC compliance into KPIs, and reduced the number of signatures required in gold loan documentation. These improvements strengthened internal control while simplifying the customer and staff experience.

Process transformation was also supported through the mapping of business processes across leasing, gold loans, insurance, credit administration, micro products, and lead sharing. By documenting and standardising these workflows, HNBF strengthened process ownership, reduced ambiguity, and created a more consistent operating model across the organisation.

## Digital transformation

Digital transformation remained a major enabler of HNBF's future-ready operating model. The Company continued to invest in technology platforms and system capabilities that support workflow automation, customer convenience, better data availability, and stronger operational control.

A key initiative taken in this direction was the introduction of the Loan Origination System (LOS) app for Three Wheelers (3W) products, which supported the Company's move towards faster, more structured, and less paper-intensive credit processing. This initiative enhanced the lending workflow by improving data capture, reducing manual handling, and supporting more efficient processing at the point of origination.

The Company also initiated the implementation of a new Core Banking System, which is expected to strengthen integration, scalability, processing efficiency, and readiness for future digital services. Together, these digital initiatives provide the foundation for faster service delivery, improved control, better information flows, and more scalable business growth.

## Customer experience transformation

Customer experience transformation focused on improving how customers access, interact with, and receive services from HNBF. The Company continued to enhance both physical and digital touchpoints, recognising that customers increasingly expect faster, simpler, and more convenient service while still valuing personalised branch-based engagement.

A key customer-focused initiative was the move to collect customer leasing payments through savings accounts and online channels. This initiative was designed to improve customer convenience, increase online adoption, and strengthen savings relationships. By enabling more flexible payment channels, HNBF reduced reliance on branch-based transactions while supporting a smoother and more accessible customer journey.

Customer experience was also enhanced through streamlined loyalty card processes, including improvements to vendor processes, branch allocation, printing, and dispatch. These initiatives helped improve responsiveness, service coordination, and relationship value for customers.

## Operational excellence transformation

Operational excellence transformation brought together strategy, process, technology, and people to create a more efficient and resilient organisation. During the year, HNBF strengthened operational discipline through productivity reviews, cost monitoring, staff transaction analysis, resource utilisation reviews, and more effective deployment of physical and digital assets.

The Recovery Department restructuring was a key project undertaken in this area. HNBF conducted staff analysis to identify underutilised team members and restructured the department to improve efficiency, strengthen accountability, and optimise resource allocation. This supported the Company's broader focus on portfolio quality, recovery effectiveness, and disciplined execution.

Operational excellence was also supported through a PC and laptop utilisation analysis carried out across the organisation to identify underused devices. This strengthened asset visibility and supported better allocation of technology resources. In parallel, monthly monitoring of cost structures across personal expenses, maintenance, documentation, fees and commission, administration, and marketing and promotional expenses improved cost visibility and enabled more informed decision-making.

## Culture transformation

Culture transformation supported the behavioural and mindset changes required to sustain business transformation. HNBF continued to promote a culture of accountability, collaboration, learning, cost consciousness, customer focus, and continuous improvement. This cultural shift was particularly important as employees adapted to new systems, redesigned workflows, digital tools, and higher expectations around execution discipline.

## Business Transformation

The **Lean Six Sigma Yellow Belt Programme** was a key culture-building initiative during the year. The staff members were trained and certified as Yellow Belt holders, strengthening internal capability in problem-solving, process improvement, and efficiency enhancement. This initiative helped embed a continuous improvement mindset within the organisation, encouraging employees to identify inefficiencies, propose solutions, and take ownership of transformation outcomes.

By investing in people and culture, HNBF ensured that transformation was not only implemented through systems and projects, but also embedded through employee capability, behaviour, and accountability.




***Lean Six Sigma Yellow Belt***

Through these areas of transformation, HNBF continued to build a more agile, disciplined, and scalable organisation. Each transformation area was supported by distinct project-level initiatives, ensuring that the Company's transformation journey remained practical, measurable, and closely aligned with business priorities. During FY 2025/26, these initiatives strengthened internal efficiency, enhanced customer responsiveness, improved risk discipline, and reinforced the foundations required for sustainable long-term growth.

## Sustainability alignment

HNBF's transformation agenda is designed to deliver sustainable impact by balancing efficiency, customer convenience, employee productivity, cost discipline, and risk management. The Company's approach recognises that transformation must not only improve internal processes, but also strengthen the customer experience, protect stakeholder trust, and support long-term financial resilience.

Digital and process initiatives are therefore evaluated not only by immediate efficiency gains, but also by their contribution to long-term scalability, service quality, risk reduction, cost optimisation, and sustainability. Reducing physical documentation, increasing online payment adoption, enhancing customer onboarding, improving system integration, and strengthening cybersecurity all contribute to a more efficient, resilient, and responsible operating model.

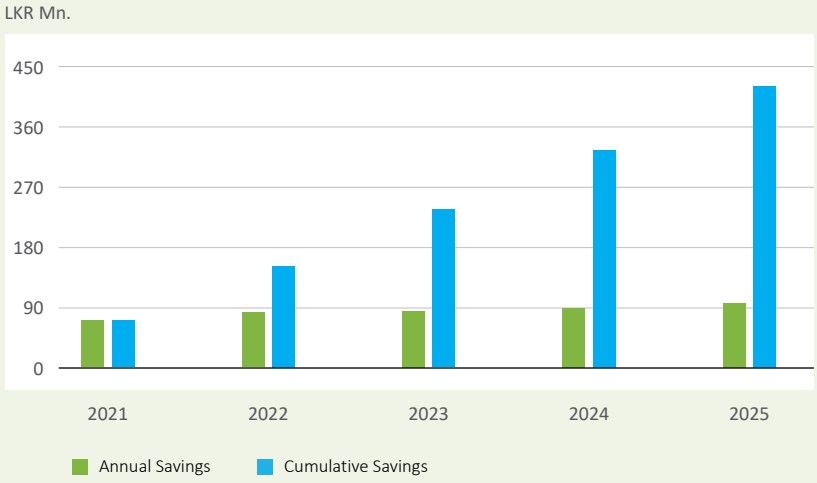
This alignment ensures that transformation supports both business performance and stakeholder value. For customers, it creates faster and more convenient service. For employees, it reduces repetitive manual work and improves productivity. For shareholders, it supports cost efficiency and scalability. For regulators and stakeholders, it strengthens governance, consistency, and operational resilience.

### Business transformation savings

Business transformation at HNBF is expected to create value not only through digitalisation and process improvement, but also through more disciplined resource utilisation and cost utilisation. During FY 2025/26, the Company strengthened this focus by streamlining processes, reviewing productivity, and tracking major cost categories more closely.

This approach helped improve cost visibility and supported more informed decision-making across the business. Cost structures were monitored across six key areas: personal expenses, maintenance, documentation, fees and commission, administration, and marketing and promotional costs. By maintaining closer oversight of these areas, HNBF continued to build a leaner operating model that supports efficiency, reduces process-related rework, and strengthens long-term financial discipline.

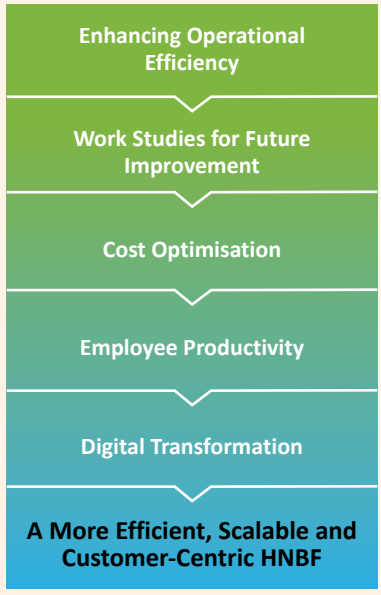
### BT Savings




## Pillars of business transformation at HNBF

HNBF's transformation activity during FY 2025/26 was structured around five practical execution pillars: enhancing operational efficiency, work studies for future improvement, cost optimisation, employee productivity, and digital transformation.

### Execution pillars of business transformation




## Enhancing operational efficiency

Operational efficiency initiatives focused on improving key customer-facing and back-office processes. In gold loans, HNBF addressed audit findings, streamlined operations, revised opening and closing times, assigned staff for daily gold loan audits, included KYC compliance as a KPI, and reduced the number of signatures in gold loan documents. These changes helped strengthen control, reduce processing complexity, and improve customer service.

The Company also introduced customer leasing payment collections through savings accounts and online channels, supporting savings base growth and customer online adoption. Manual delivery order issuance for Two Wheelers (2W) and Three Wheelers (3W) products was introduced to improve business efficiency, while the Credit Administration Department was restructured through reporting improvements, layout changes, and process redesign.

## Work studies for future improvement

Work studies played an important role in identifying inefficiencies, benchmarking processes, and preparing the organisation for further improvement. Competitor analysis was conducted for Two Wheelers (2W), Three Wheelers (3W), and Four Wheeler (4W) businesses, leading to process changes aimed at improving competitiveness and efficiency. This included reducing documents in Two Wheelers (2W) files and reducing required signatures.

The Company also conducted floor area analysis for the Head Office to ensure efficient utilisation of space. PC and laptop analysis was conducted across the organisation to identify underutilised devices, supporting better asset allocation and cost discipline.

# Business Transformation

## Cost optimisation

Cost optimisation was embedded into business transformation through structured monitoring and targeted reduction of resource usage. HNBF focused on reducing the number of documents maintained in physical files to minimise printing costs and monitored document printing costs across branches and departments.

The Company also monitored cost structures monthly across six categories: personnel expenses, maintenance, documentation, fees and commission, administration, and marketing and promotional expenses. This enabled greater visibility over operating costs, supported more disciplined resource allocation, and helped implement cost optimisation initiatives.

## Employee productivity

Employee productivity initiatives such as the Lean Sigma Yellow Belt Programme focused on strengthening efficiency, resource utilisation, and capability development.

Back-office staff were assigned after analysing staff transaction volumes, helping improve resource allocation and reduce underutilisation. The Recovery Department was also restructured following staff analysis to improve efficiency and optimise resource deployment. The Department also facilitated employee brainstorming sessions focused on process improvements across key areas, including the Two Wheelers (2W) leasing process, LOS app, and gold loan process changes.

## Digital transformation

Digital transformation initiatives supported both customer-facing and internal efficiency improvements. The LOS app was introduced for Three Wheelers (3W) products, strengthening digital processing and supporting operational efficiency. HNBF also supported the initiation of the new Core Banking System, which is expected to provide a stronger foundation for future process integration, automation, and digital service delivery.

Other digital initiatives included Solo app merchant onboarding, process improvements linked to lead sharing and fixed deposits, and the wider use of digital workflows. These initiatives support improved service delivery, stronger customer convenience, and more scalable operations.

## Value contribution of business transformation

| Pillar | Key initiatives | Value created |
|---|---|---|
| Enhancing operational efficiency | Gold loan process improvements, leasing payment collections, credit admin restructuring. | Faster processing, stronger controls, improved service delivery |
| Work studies for future improvement | Competitor analysis, documentation review, floor area analysis, PC/laptop utilisation analysis | Better benchmarking, efficient space use, and improved asset productivity |
| Cost optimisation | Reduced physical files, printing cost monitoring, and monthly cost structure review | Lower documentation cost, better cost visibility, improved cost discipline |
| Employee productivity | Lean Six Sigma Yellow Belt training, back-office workload analysis, and recovery restructuring | Higher productivity, better resource allocation, stronger improvement culture |
| Digital transformation | LOS app for Three Wheelers (3W), Core Banking system initiation support, Solo merchant onboarding | Improved scalability, customer convenience, and operational responsiveness |

## Future priorities

As HNBF moves toward the next phase of financial services, the Company is committed to becoming a data-driven, digital and customer-centric financial institution. Future growth will be powered by innovation, sustainability, agile business practices and intelligent technologies that enable seamless customer experiences and long-term value creation.

Recognising that transformation begins with people, HNBF will foster a future-ready workforce equipped with innovative mindsets, leadership capabilities and digital skills. The Company will continue to cultivate a culture of collaboration, continuous learning, diversity, and employee wellbeing, ensuring its people remain adaptable and resilient in an evolving business landscape.

Sustainability will be embedded across every aspect of the business strategy. HNBF will strengthen its commitment to responsible finance, environmental stewardship, social impact, and ethical governance. Future initiatives will focus on supporting sustainable economic development, promoting financial inclusion, optimising resource utilisation, and integrating ESG considerations into strategic decision-making.

Operational excellence will remain a strategic pillar, supported by intelligent process automation, predictive analytics, and streamlined workflows. Routine manual activities will increasingly be replaced by technology-driven solutions, allowing employees to focus on higher-value activities. Through continuous optimisation of resources, processes, and service models, HNBF will enhance productivity, reduce costs, and deliver faster, more reliable customer outcomes.

HNBF will continue to invest in digital capabilities, including advanced analytics, automation, integrated financial platforms and artificial intelligence. The evolution of the Core Banking System and the expansion of digital ecosystems will enable real-time decision-making, hyper-personalised customer experiences, and frictionless service delivery across all channels. The Company aims to create a predominantly digital operating environment where customers can access financial services anytime, anywhere, through secure and intuitive platforms.



4

# Governance

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# Board of Directors





# Board of Directors



**MR RAJIVE DISSANAYAKE**

Chairman/Non-Independent Non-Executive Director

CFA, FCMA, CGMA, BBA

*Appointed: August 2017*

## Skills and experience

Mr Rajive Dissanayake brings over two decades of extensive experience across banking, strategy, finance, and capital markets. He currently serves as Executive Vice President – SME & Micro Finance at Hatton National Bank PLC (HNB). During his distinguished career at HNB, he held senior leadership roles including Chief Financial Officer and Chief Strategy Officer and is a key member of the Bank's Corporate Management Team for over a decade.

Mr Dissanayake has also served on the Boards of several institutions within the financial services and investment sector, including HNB Investment Bank (Pvt) Ltd., HNB Assurance PLC, HNB General Insurance Ltd., Lanka Venture PLC, and Lanka Energy Fund PLC contributing significantly to strategic direction and governance oversight.

## Board tenure and other leadership roles

Mr Dissanayake was appointed to the Board of HNB Finance PLC on 29 August 2017 as a Nominee Director of Hatton National Bank PLC. In recognition of his leadership and strategic acumen, he was subsequently appointed Chairman of the Board in January 2024.

In addition to his role at HNB Finance PLC, Mr Dissanayake also serves as a Director of the National Credit Guarantee Institute Limited, extending his contribution to the financial sector.

## Academic and professional qualifications

Mr Dissanayake is a CFA Charterholder and a Fellow Member of the Chartered Institute of Management Accountants (FCMA) and Chartered Global Management Accountant (CGMA). Academically, he possesses a Bachelor of Business Administration from the University of Colombo.

## Board committee memberships

In addition to chairing the Board of Directors of HNB Finance PLC, Mr Dissanayake also serves as the Chairman of the Board Strategic and Investment Review Committee. He is a member of the Board Human Resources and Remuneration Committee, Board Nominations and Governance Committee and Board Procurement Committee.



**MR CHAMINDA PRABHATH**

Managing Director/CEO

MBA (USQ), FCMA (UK), FICM (SL), CGMA, MCIM (UK), CMA (AUS), CLSSBB (Asia)

*Appointed: June 2011*

## Skills and experience

Mr Chaminda Prabhath is a seasoned finance professional with over 30 years of senior leadership experience in the financial services sector, complemented by exposure to audit, manufacturing, real estate, and strategic investments. His professional journey reflects strong expertise in corporate strategy, financial management, turnaround leadership, microfinance, and institutional transformation.

Mr Prabhath commenced his career at KPMG Sri Lanka, where he gained a solid grounding in auditing and assurance. He subsequently progressed into finance roles at Growth Lanka, acquiring exposure to the manufacturing sector. His experience was further broadened during his tenure at 3DL Lanka (Pvt) Ltd. and North Manufacturing (Pvt) Ltd., subsidiaries of the North Sales Group, USA, where he gained valuable exposure to international financial operations and the US business environment.

He later served as Assistant General Manager – Strategic Business Unit & Investments at Prime Lands Group, where he was responsible for driving strategic initiatives and investment decisions. His leadership capabilities were recognised through his appointment as a Non-Executive, Non-Independent Director representing Prime Lands on the Board of Ceylease Financial Services, a subsidiary of Bank of Ceylon, during which period he also functioned as Chairman of the Audit Committee. He served as a Council Member of the Sri Lanka Institute of Credit Management, thereby contributing to industry development.

## Board tenure and other leadership roles

Mr Chaminda Prabhath has played a pivotal role in shaping the strategic direction, growth trajectory, and governance framework of HNB Finance PLC in his capacity as Managing Director/Chief Executive Officer. His leadership has been instrumental in strengthening the Company's institutional resilience, enhancing its innovation capability, and ensuring long-term sustainability within a highly competitive and regulated financial services environment.

A defining milestone in his career was his appointment as Director – Finance of HNB Finance PLC in June 2011, followed by his elevation to Chief Executive Officer in 2012. Entrusted with revitalising the institution, Mr Prabhath successfully led a comprehensive turnaround, transforming HNB Finance into a profitable, innovative, and growth oriented financial institution. In recognition of his exceptional contribution to the industry, he was honoured as "Game Changer of the Year 2014" by the World Consulting & Research Corporation (WCRC), India.

Under his stewardship as Managing Director/CEO, HNB Finance developed a well diversified product portfolio, encompassing microfinance, auto and micro leasing, gold loans, property financing, and business loans. His strategic leadership enabled the Company's successful listing on the Colombo

Stock Exchange and the acquisition and subsequent amalgamation of Prime Finance PLC, resulting in enhanced synergies, a strengthened asset base, and a reinforced market position as a leading finance company. Furthermore, under his guidance, HNB Finance achieved the Great Place to Work certification for five consecutive years (2017–2021), was recognised as one of Asia's Best Workplaces in 2019 and received the prestigious Great Place to Work Legends Award in 2021.

In addition, Mr Prabhath is an active Council Member of the Finance Houses Association of Sri Lanka and the Chairman of the Sri Lanka Leasing Association.

### Academic and professional qualifications

Mr Prabhath holds a Master of Business Administration (MBA) with specialisation in Finance from the University of Southern Queensland, Australia. He is a Fellow Member of the Chartered Institute of Management Accountants (UK) and a Fellow Member of the Sri Lanka Institute of Credit Management, and Chartered Global Management Accountant (CGMA). In addition, he is a Certified Management Accountant of the Institute of Certified Management Accountants of Australia and a Member of the Chartered Institute of Marketing (UK).

He is also an internationally certified Microfinance Expert from the Frankfurt School of Finance & Management, Germany, and holds the Certified Lean Six Sigma Black Belt (CLSSBB) qualification awarded by the Dr Mikel J Harry Six Sigma Management Institute Asia.

### Board committee memberships

In addition to his executive leadership responsibilities, Mr Prabhath serves as a member of Board Strategic and Investment Review Committee, Board Technology Committee and Board Recovery Committee.



**MR LALITH WITHANA**

Senior Director/Independent Non-Executive Director

FCMA (UK), FCA (Sri Lanka), MBA (Sri Jayawardenepura), BA Hons (UK)

*Appointed: September 2021*

### Skills and experience

Mr Lalith Withana brings over 31 years of extensive corporate sector experience, having held senior management positions for more than 27 years across banking, manufacturing, trading, aviation, and professional services. His career reflects deep expertise in finance, governance, strategy, risk management, and corporate leadership within both local and multinational organisations.

Mr Withana has served in senior roles at reputed institutions including Brandix Group, Ernst & Young, Amsterdam Rotterdam (Amro) Bank, IBM World Trade Corporation, Carson Cumberbatch, Ceylon Tea Services Limited, and Yamaha Corporation (USA). He previously held the position of Group Chief Finance and Administrative Officer of Sri Lankan Airlines and subsequently served as Chief Executive Officer of its wholly owned subsidiary, Sri Lankan Catering, where he provided strategic and operational leadership at Board and management level.

### Board tenure and other leadership roles

Mr Withana was appointed to the Board of HNB Finance PLC in September 2021 and subsequently appointed Senior Director of the Board in September 2025.

In addition to his role at HNB Finance PLC, Mr Withana currently serves as the Founder and Managing Director of Agility Consulting Services (Pvt) Ltd. He also holds Directorships on the Boards of Softlogic Life Insurance PLC, Serendipity Leisure (Pvt) Ltd., Citrus Leisure PLC, Waskaduwa Beach Resort PLC, Hikkaduwa Beach Resort PLC, Hunter & Company PLC, Lanka Canneries (Pvt) Ltd., and Commercial Development Company PLC.

Mr Withana has previously served as an Independent Non-Executive Director on the Boards of Bank of Ceylon, Dankotuwa Porcelain PLC, Merchant Bank of Sri Lanka PLC, Ceylease Limited, and Seylan Bank PLC, and has also functioned as a Commissioner of the Telecommunications Regulatory Commission of Sri Lanka, contributing to national-level regulatory oversight.

### Academic and professional qualifications

Mr Withana holds a Master of Business Administration (MBA) from the University of Sri Jayewardenepura and a Bachelor of Arts (Honours) degree from Manchester Metropolitan University, United Kingdom. He is a Fellow Member of the Chartered Institute of Management Accountants (FCMA), UK, and a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (FCA). In addition, he is a Project Management Professional (PMP) accredited by the Project Management Institute (PMI), USA.

### Board committee memberships

Mr Withana serves as the Chairman of the Board Audit Committee and Board Nominations and Governance Committee of HNB Finance PLC. He is also a member of the Board Related Party Transactions Review Committee, Board Human Resources and Remuneration Committee and Board Integrated Risk Management Committee.

# Board of Directors



**MR MURALI SRINIVAS POLAMARASETTY**

Independent/Non-Executive Director

MA (Political Science), BSc (Physics)

*Appointed: September 2022*

## Skills and experience

Mr Murali Polamarasetty is an accomplished social business entrepreneur with over two decades of experience in the social impact enterprise ecosystem, with a strong focus on sustainability, financial inclusion, and responsible finance. His professional expertise spans microfinance, pensions, drinking water solutions, and senior care services, combining commercial acumen with social impact orientation.

He has held senior leadership roles in operational and advisory capacities across multiple sectors and geographies. Notably, he served as the Managing Director and Chief Executive Officer of SMILE Microfinance Limited, an Indian Non-Banking Financial Company (NBFC), from 2013 to 2023, where he played a key role in scaling the institution and strengthening governance and social performance. He has also invested in and successfully exited two Indian NBFCs, namely Arriba Inclusive Finance Private Limited and Mimo Microfinance Private Limited.

## Board tenure and other leadership roles

Mr Polamarasetty serves on the Board of HNB Finance PLC, contributing international experience and strategic insight, particularly in the areas of risk management, sustainability, and inclusive finance.

Currently residing in the United Kingdom, he is actively engaged as an investor/director and strategic representative for several organisations. He has also invested in several companies in his long career including non-banking finance companies. Some of his current investments are Acer Engineers Pvt. Ltd. (AEPL), an Indian company specialising in water treatment technologies and the manufacture and distribution of packaged drinking water under the brand "Bibo Water", which ranks among India's leading water brands, AgeWell 24x7 Services Private Limited an elder care services company based in India, Polamar Ltd, a social housing focused company based in UK.

In addition, Mr Polamarasetty serves as the Managing Director of Yunus Social Business gGmbH based in Germany and serves on the Investment Committee of the Yunus Social Business Fund Bangalore, an entity under the Yunus Social Business Global Initiatives co-founded by Nobel Laureate Dr Muhammad Yunus, supporting scalable social enterprises with patient capital and advisory services. He is also a Board member of Protimos, a UK based not for profit organisation focusing on legal rights advocacy in Southern Africa, and Needy Illiterate Children Education, which operates fully free orphanage schools in Southern India.

## Academic and professional qualifications

Mr Polamarasetty holds a Postgraduate Degree in Political Science and a Bachelor of Science degree in Physics, supported by extensive practical experience in social entrepreneurship, finance, and governance.

## Board committee memberships

Within HNB Finance PLC, Mr Polamarasetty plays an active governance role. He currently serves as the Chairman of Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee, and a member, Board Nominations and Governance Committee, Board Recovery Committee and Board Technology Committee.



**MR BRAHMANAGE PREMALAL**

Non-Independent/Non-Executive Director

FCMA (UK), FSLIM (Sri Lanka), CABA (Canada), MBA (Malaysia)

*Appointed: November 2022*

## Skills and experience

Mr Brahmanage Premalal is a highly respected business leader with over three decades of experience in Sri Lanka's real estate sector and is a prominent figure in the national business landscape. He is the Founder and Group Chairman of Prime Lands (Private) Limited, the parent company of Prime Lands Residencies PLC, which is widely recognised as the market leader in Sri Lanka's real estate industry.

His entrepreneurial leadership extends across multiple sectors, supported by a strong track record in strategic growth, brand building, and corporate governance.

Most recently, Mr Premalal was awarded "The CEO of the year 2025", by the Global CEO Forum in recognition of his impeccable leadership skills.

Additionally, in recognition of his significant contribution to business and entrepreneurship, he has also been awarded the UCD Entrepreneur of the Year Award in 2011. He was also named among the LMD A List "Sri Lankan Business People" in 2018, recognising the Top 50 business leaders who have driven the country's economic growth.

Further acknowledging his leadership and impact, Mr Premalal was conferred the title of "Most Outstanding Entrepreneur in Sri Lanka – 2018" by the International

Association of Lions Clubs and was recognised as one of Asia's Greatest Brand Leaders in 2017. Under his leadership, Prime Lands Residencies PLC was named the "Most Valuable Real Estate Brand" by Brand Finance and LMD Brands Annual in April 2022.

### Board tenure and other leadership roles

Mr Premalal serves on the Board of HNB Finance PLC, contributing extensive entrepreneurial insight and strategic oversight drawn from his long-standing leadership in diversified business ventures.

In addition to his role at HNB Finance PLC, he is the Co-Founder and Co-Chairman of Prime Lands (Private) Limited. He also serves as an Executive Director of Bhoomi Realty Holdings (Private) Limited, Regent Caterers (Private) Limited, Regent Country Club (Private) Limited, Prime Realty Holdings (Private) Limited, Prime Constructions Pvt Ltd, and Prime Lands Australia Pty. Ltd. He further serves as a Non-Executive Director of Ceylinco General Insurance Limited.

### Academic and professional qualifications

Mr Premalal is a Fellow Member of the Chartered Institute of Management Accountants (United Kingdom), a Fellow Member of the Sri Lanka Institute of Marketing, and a Chartered Business Administrator (Canada). He holds a Master of Business Administration from the Open University of Malaysia and a Postgraduate Diploma in Marketing from the University of Sri Jayewardenepura.

### Board committee memberships

Within HNB Finance PLC, Mr Premalal serves as a member of Board Nominations and Governance Committee and Board Strategic and Investment Review Committee.



**MR PATHIRAGE ANURA W PERERA**

Non-Independent/Non-Executive Director

FCIT (Sri Lanka), CTA (CA Sri Lanka), MBA (UK), BSc (Sri Lanka)

*Appointed: January 2024*

### Skills and experience

Mr Anura Pathirage brings over 22 years of extensive private sector experience, including more than 19 years in senior management roles both in Sri Lanka and overseas. His professional background spans accounting, taxation, corporate secretarial services, apparel, insurance, hospitality, aviation, and international trade, providing him with a well rounded perspective on financial management and corporate governance.

He previously held a senior position with Baker Tilly Sri Lanka – Chartered Accountants, where he was engaged in management consultancy and tax advisory services. As a Director of Corporate Secretaries Practice (Pvt) Ltd., within the secretarial arm of the firm, he played a significant role in advising clients on corporate secretarial, compliance, and governance related matters.

Mr Pathirage has also gained substantial international exposure during his tenure as Chief Accountant of the Cyprea Group of Companies in the Maldives, where he contributed to financial oversight and operations across international trade, airline operations, hospitality, and tourism. His career also includes experience in the apparel and insurance sectors in Sri Lanka, further strengthening his multidisciplinary expertise.

### Board tenure and other leadership roles

Mr Pathirage serves on the Board of HNB Finance PLC, contributing his strong financial, tax, and governance expertise to the Board's oversight and decision-making processes.

In addition to his role at HNB Finance PLC, he currently holds positions as Executive Director/Director – Finance of Prime Lands Residencies PLC and Prime Lands (Pvt) Ltd., where he is actively involved in strategic financial management and group level oversight.

### Academic and professional qualifications

Mr Pathirage holds a BSc in Management (Special) Degree with Second Class Honours from the University of Sri Jayewardenepura and a Master of Business Administration (MBA) from Buckinghamshire New University, United Kingdom.

He is a Chartered Tax Advisor of The Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Chartered Institute of Taxation of Sri Lanka, a Member of the Association of Accounting Technicians of Sri Lanka, and a Member of the Sri Lanka Institute of Directors (SLID).

### Board committee memberships

Within HNB Finance PLC, Mr Pathirage serves as the Chairman of the Board Recovery Committee, a member of the Board Audit Committee, Board Credit Committee and Board Procurement Committee.

# Board of Directors



**DR PRASAD SAMARASINGHE**

Non-Independent/Non-Executive Director

PhD (Australia), MEng (Sri Lanka), BSc (Eng.) Hons (Sri Lanka), CISSP

*Appointed: February 2024*

## Skills and experience

Dr Prasad Samarasinghe is a distinguished IT and telecommunications engineering professional with over two decades of industry experience, encompassing technology leadership, corporate governance, and regulatory oversight. His expertise spans telecommunications, digital infrastructure, enterprise systems, and procurement governance, supported by strong academic credentials and extensive Board level experience.

In addition, Dr Samarasinghe has held key governance and regulatory roles, having previously served as Chairman and Director General of the Sri Lanka Rupavahini Corporation and as a Commission Member of the Insurance Regulatory Commission of Sri Lanka, contributing to national level policy, regulation, and institutional governance.

## Board tenure and other leadership roles

Dr Samarasinghe was appointed to the Board of HNB Finance PLC in February 2024 as a Nominee Director of Hatton National Bank PLC. He currently serves as a Director of Hatton National Bank PLC, having been appointed to its Board in October 2022. He has also served as a Director of Hayleys Fibre PLC since September 2017, contributing to Board level strategic oversight and governance.

Further, he serves as a Non-Executive Director of Chemanex PLC, with effect from September 2024. Through these appointments, Dr Samarasinghe brings extensive expertise in technology driven enterprises, risk oversight, and strategic investment decision-making.

In addition, Dr Samarasinghe currently serves as Managing Director of Lanka Bell (Pvt) Ltd., a position he has held since July 2005. He also functions as Managing Director of Bell Active (Pvt) Ltd., Bell Solutions (Pvt) Ltd., and Bellvantage (Pvt) Ltd., where his leadership has been instrumental in driving technological advancement, operational excellence, and strategic growth within the ICT sector.

He is also a Director of Praxis Magnus Strategies (Pvt) Ltd. and PranayaPulse (Pvt) Ltd. and serves as a part time consultant at Nagarro (Pvt) Ltd.

## Academic and professional qualifications

Dr Samarasinghe holds a Doctorate in Telecommunications awarded by the Australian National University, Canberra. He also holds a Master of Engineering and a Bachelor of Science degree in Electronics and Telecommunications (First Class Honours) from the University of Moratuwa, Sri Lanka.

In addition, he is a Licentiate of Part I and Part II of The Institute of Chartered Accountants of Sri Lanka and was recognised as a Best Achiever by the Institute in Financial Accounting, Business Mathematics and Statistics, and Data Processing in 1991.

## Board committee memberships

Within HNB Finance PLC, Dr Samarasinghe plays an active role in Board governance. He currently serves the Chairman of Board Procurement Committee and Board Technology Committee and as a Member of Board Integrated Risk Management Committee, Borad Related Party Transactions Review Committee, Board Strategic and Investments Review Committee and Board Credit Committee.



**MS RAMANIKA UNAMBOOWE**

Independent/Non-Executive Director

MBA (PIM, University of Sri Jayewardenepura), BA (France)

*Appointed: June 2025*

## Skills and experience

Ms Ramanika Unamboowe is an accomplished banking and human resources professional with over two decades of experience in the financial services sector. Her areas of expertise include strategic human capital management, leadership development, organisational effectiveness, performance management frameworks, succession planning, and corporate governance, underpinned by solid exposure to corporate banking operations.

Ms Unamboowe spent 22 years at Nations Trust Bank PLC, where she held several senior and corporate management positions across both Corporate Banking and Human Resources. She last held the position of Executive Vice President – Human Resources prior to her retirement from permanent employment. In this role, she was responsible for developing and implementing the Bank's human resources strategy, overseeing talent acquisition and retention, leadership and succession planning, remuneration and performance management frameworks, employee relations, and learning and development initiatives, while supporting the Board and Senior Management on people related governance matters.

Earlier in her career at Nations Trust Bank, she held senior roles in Corporate Banking, providing her with valuable insight into business development, client relationship management, credit processes, and risk considerations within a regulated banking environment. This blend of commercial banking and human resources experience enables Ms Unamboowe to contribute a well rounded, business aligned perspective to Board deliberations.

Prior to joining Nations Trust Bank PLC, Ms Unamboowe was employed at American Express Bank, Colombo, where she served as a Corporate Banking Relationship Manager, managing a portfolio of corporate clients and contributing to business growth and credit evaluation activities.

### Board tenure and other leadership roles

Ms Unamboowe serves as an Independent, Non-Executive Director of HNB Finance PLC. Drawing on her extensive background in banking and human capital management, she contributes to the Board's oversight of organisational sustainability, leadership effectiveness, and governance practices within a regulated non-banking financial institution environment.

### Academic and professional qualifications

Ms Unamboowe holds a Master of Business Administration in Human Resources Management from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. She also holds a Bachelor of Arts Degree in Business Administration from the American University of Paris, France.

### Board committee memberships

Within HNB Finance PLC, Ms Unamboowe serves as the Chairperson of Board Human Resources and Remuneration Committee and Board Credit Committee and a Member of Board Nominations and Governance Committee and Board Strategic and Investments Review Committee.



**MS MANJULA WEERASURIYA**

AGM/Company Secretary

BSc (Hon) Colombo, MHRM (Colombo) Attorney-at-Law Notary Public, Registered Company Secretary, Chartered Corporate Secretary, Commissioner for Oaths

*Appointed: August 2023*

### Skills and experience

Ms Manjula Weerasuriya is a legal and corporate governance professional with experience in law, company secretarial practice, and human resource management. She has strong expertise in regulatory compliance, board governance, and legal advisory, supported by her professional qualifications and diverse industry experience.

Ms Weerasuriya has built a progressive career across several leading organisations, including Asset Radio Broadcasting Company (Pvt) Ltd, Asian Alliance Insurance PLC, Mackwoods (Private) Limited, and IWS Holdings Group of Companies, where she undertook diverse legal and corporate secretarial responsibilities, demonstrating adaptability and expertise in regulatory and compliance frameworks.

She joined SDB Bank PLC in 2016 as Assistant Company Secretary, where she further strengthened her experience in corporate governance, board support, and regulatory compliance within the financial services sector.

### Academic and professional qualifications

She is an Attorney at Law, Registered Company Secretary, Notary Public, and Commissioner for Oaths. In addition, she is an Associate Member of the Chartered Corporate Secretaries Institute of Sri Lanka. Her academic background includes a Bachelor of Science in Bio Science and a Master of Human Resources Management from the University of Colombo, reflecting a well rounded and analytical approach to governance and organisational management.

### Current position

Ms Weerasuriya was appointed as the Company Secretary of HNB Finance PLC in August 2023. In this capacity, she provides strategic support to the Board of Directors, facilitates effective Board and Committee processes, and ensures compliance with applicable regulatory and statutory requirements.

She plays a pivotal role in maintaining high standards of corporate governance, supporting Board decision making, and ensuring the timely and accurate disclosure of information in line with regulatory expectations.

# Corporate Management



**MR CHAMINDA PRABHATH**

Managing Director/CEO

MBA (USQ), FCMA (UK ), FICM (SL),
CGMA, MCIM (UK), CMA (AUS), CLSSBB (Asia)



**MR MADURANGA HEENKENDA**

Deputy CEO

MCIM (UK), MSLIM, MBA (Wales), ACSI (UK), Executive Development Programme Harvard Business School (USA)



**MR RUWAN FERNANDO**

DGM – Human Resources/Chief Human Resources Officer

BSc Business Administration (Special) Sri J.



**MR BIMAL SENEVIRATNE**

DGM Operations

ACIM (UK), PGDipPM (CIM UK), Diploma in Credit Management



**MR PALITHA ABEYSEKERA**

DGM/Chief Financial Officer

ACA (Sri Lanka), ACMA (Sri Lanka), BSc Accountancy and Financial Management (Sri J.)



**MR MAHADEVAN SUTHAKAR**

DGM/Chief Risk Officer

MSc in Financial Mathematics (Colombo), MBA Finance (Sri J.), BBA (Hons.), FIB (Sri Lanka), ACSI (UK)



**MR KAMAL ROSHAN**

DGM/Head of Internal Audit

B Com (Special) Sri J., FCA



**MR KANCHANA JAYASEKARA**

DGM/Chief Information Officer

MBA (UK), BCS, IADCS-NCC UK, Certified Trainer and Assessor in TAFE (Western Australia)



**MR SHEHAN COORAY**

DGM/Chief Recovery Officer

MBA – University of Suffolk (UK)



**MR ARUNA SOMASIRI**

DGM/Chief Credit Officer

MBA, BBA (University of Colombo), MIM (SL)



**MR PATHUM SAMPATH COORAY**

AGM/Head of Channel Management

Dip. in Microfinance (IBSL/FS) Higher Diploma in credit Management



**MR PRABATH KATHRIARACHCHI**

AGM/Recoveries

PDMS/APDICM/DICM/DMF (IBSL/FS)

# Corporate Management



**MR KANAGARATHNAM ERAJ**

AGM/Head of Product Business Management

MBA at Gloucestershire (UK), Diploma in Microfinance (IBSL), Advance Diploma in Credit Management (SLICM)



**MR SAMEERA CHANDRANATH GUNASEKARA**

AGM Finance

NCE, EDBA (CA Sri Lanka), PDBF (CA Sri Lanka), MBA (University of Malaysia)



**MR USHAN HAPUARACHCHI**

AGM/Head of Business Transformation and Digital Implementation

MBA (UK), MCICM (UK), CLSSBB (Asia), AMSLICM, MCPM, Certified Lean Six Sigma Trainer



**MR LAKSHMAN RANASINGHE**

AGM/Head of Gold Loans

NCECP (SL)



**MS THAMALI FONSEKA**

AGM/Head of Compliance

MBA in Finance (Colombo), BBA in Business Economics (Colombo), AIB (Sri Lanka), Chairperson of the Compliance Forum 2025/26 of the Finance Houses Association of Sri Lanka (FHASL)



**MS MANJULA WEERASURIYA**

AGM/Company Secretary

BSc (Hon) Colombo, MHRM (Colombo) Attorney-at-Law Notary Public, Registered Company Secretary, Chartered Corporate Secretary, Commissioner for Oaths



**MR MANJULA KUMARA MUNASINGHA**

Chief Manager/Head of Tech System and Service

Diploma in IT (SITC)



**MR SUJITH KUMARA**

Chief Manager/Head of Microfinance Recoveries

MBA (UK), PGD (UK) Diploma in Microfinance (IBSL), ADMS, DMS



**MR ANURA UDAWATTA**

Head of Micro Savings/Competency Development

MBA (UK), HNDTD, Diploma in Microfinance, Diploma In Management, Diploma in Psychology Counselling



**MS RASANGIKA WITHANA**

Chief Manager/Head of Direct Portfolio Management

BSc Special (Hons) in Information Technology (SLIIT), MBA (UK)



**MR THUSHARA JAYASEKARA**

Chief Manager/Head of Corporate Planning and Analytics

ACMA (UK), CGMA, DTRM (IBSL)



**MR BANDARA PUWAKGOLLA**

Chief Manager/Head of Credit Administration

B Com (Colombo), PGDBM (Colombo), MBA (AUS)

# Governance Report

## Statement of compliance

At HNB Finance PLC (HNBF), we believe that the highest standards of Corporate Governance are vital to warrant the trust of our valued stakeholders, which in turn is crucial for maintaining the solid performance of the Company. These standards are captured in our governance framework, policies and documents, and compliance highlights which are detailed in this report.

The Board of Directors of the Company wishes to confirm that the Company has complied throughout the year with the mandatory provisions on corporate governance such as the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 and Listing Rules of the Colombo Stock Exchange, to the extent hereinafter disclosed in this report.

## Governance philosophy

The foundation of HNBF's corporate governance concept is our conviction that strong company governance is essential to boosting investor trust, efficiency, and growth. The success of HNBF has always been based on strong corporate governance. The corporate governance structure of HNBF acts as the cornerstone for managing the Company's operations in a way that satisfies its stakeholders. The HNBF Board guides the Organisation in achieving its strategic goals and providing beneficial results to stakeholders.

HNBF's approach to governance is founded on the idea that the Board and its committees need a structure for control to carry out its fiduciary duties to all stakeholders. This framework must ensure that decisions are made in a transparent, accountable, fair, and independent manner. At the same time, corporate governance goes beyond just establishing checks and balances. It also involves fostering organisational excellence that will increase employee and customer happiness as well as shareholder profit without jeopardising our morals and values.

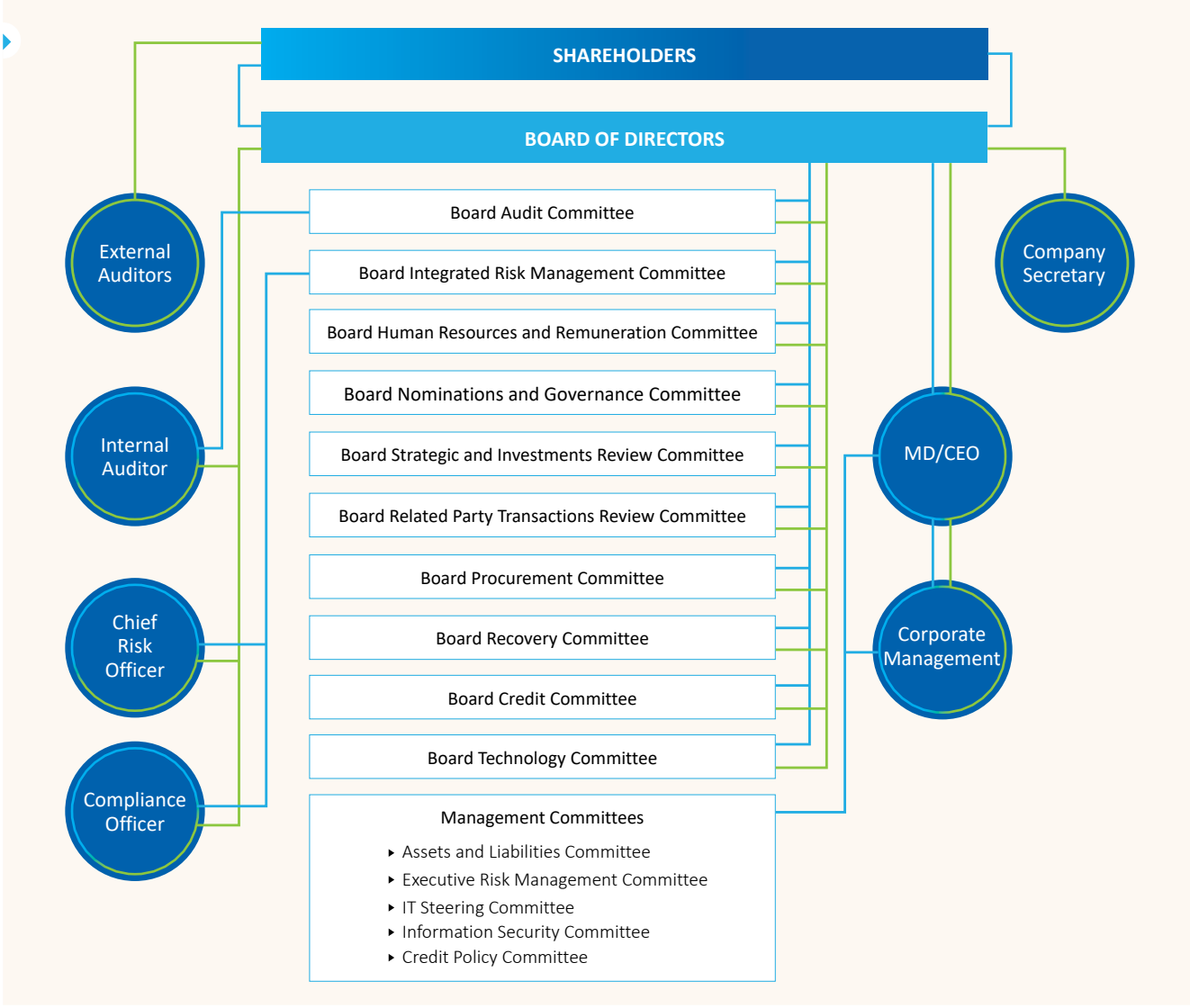
HNBF is committed to long-term corporate growth, guided by sound corporate governance practices. This commitment is reflected in a stable financial system, a strong market reputation, and operational efficiency, all fostered by ethical leadership and cascaded throughout the Organisation to benefit all stakeholders. We believe in going beyond regulatory regime compliance. Our organisational structure, procedures, and transparency processes all adhere to our corporate governance standards.

Our efforts must involve transparency, responsibility, accountability, fairness, and focused engagement with stakeholders. We support performance-driven and system-driven excellence. We emphasise these processes and defend the interests of all shareholders. We attempted to merge growth, efficiency, governance, and ethics. Under the guidance of our mission statement, our Board of Directors develops strategies and policies aimed at maximising value for a wide range of stakeholders, including customers, shareholders, and society at large.

The Board provides strategic oversight to ensure the achievement of the Company's long-term goals and the creation of sustainable value for stakeholders. This is carried out with integrity and competence, upholding the principles of responsibility, accountability, fairness, and transparency.



## Governance structure




The Board of Directors is ultimately responsible for ensuring that HNBF functions within a rigorous and effective governance structure. As a result, the Board offers entrepreneurial leadership within a framework of sensible and effective controls that enable risks to be assessed and managed, while also establishing the Company's values and standards to satisfy its duties towards shareholders and other stakeholders.

The Company has a well-defined governance system. The Board's responsibility of providing risk supervision and strategic guidance while assuring adherence to regulatory standards and risk tolerance is balanced by this structure. The governance structure allows for the distribution of responsibility while retaining effective control by the Board. While maintaining accountability, the Board delegated responsibility to relevant Board Subcommittees and Management with clearly defined missions and authorities.

Board Subcommittees help the Board perform its obligations by providing in-depth attention to key topics. Each committee has a mandate that defines its mission, responsibilities, authority, composition, and processes. The Chairpersons of the Subcommittees report to the Board, and minutes of all meetings of the Subcommittees are forwarded to the Board.

# Governance Report

The Board of Directors establishes the Company's strategic objectives, operational regulations and performance requirements, and delegates responsibility to the MD/CEO. In turn, the MD/CEO is responsible for the comprehensive planning and implementation of those objectives and policies within proper risk constraints. The obligations delegated to the MD/CEO by the Board of Directors cascade down to Senior Management, then to the leaders of the separate business divisions, and finally to individual employees with well-defined job descriptions, authority levels, and responsibilities. The Company operating Management Committees, comprised the leaders of all operational divisions, and the Management Committees help the MD/CEO in the day-to-day administration of activities, subject to legislative limitations and matters reserved for the Board.

The Board of Directors regularly monitors the fulfilment of the goals outlined in the business plan and yearly budget, which are centred on the fundamental value trinity of economic viability, environmental stewardship, and social accountability. The Board of Directors meets regularly to assess and debate Company affairs. The MD/CEO, who represents the Management at these meetings, informs the Board, of the Company's operations and performance according to predetermined goals.

## Internal governance structure

HNBF's governance structure facilitates effective and accountable decision-making across the Organisation. At its core, good governance involves acting in the best interest of stakeholders, guided by integrity, transparency, and responsibility. This is supported by well-established checks and balances that ensure consistent compliance with ethical standards and regulatory expectations. It includes internal control, ethics, various risk functions, policies and procedures, internal audit, external audit, and formal committees which foster a high level of openness while promoting efficient and effective management in advancing the best interests of stakeholders including shareholders.

## External governance structure

The rules, regulations, and best practices listed in this report are included in the external governance structure, one of the three major parts of the governance framework of HNBF. These elements allow HNBF to function within a reliable corporate governance framework. The HNBF internal governance framework is designed to establish the appropriate checks, balances, and controls to make sure it complies with and conforms to the external governance structures.

## The Board of Directors

Based on fundamental principles that serve as the foundation for how business is done, the Board is in charge of the stewardship of the Company, and the Directors guarantee good governance at the Board level and below.

The Management is entrusted with the comprehensive planning and implementation of these goals and policies in line with the necessary risk factors. The Board of Directors establishes the strategic objectives of HNBF and decides its operational procedures and performance standards. By holding the Management responsible for its actions through regular communication, the Board also keeps an eye on policy compliance and actual accomplishments in comparison to predetermined objectives.

## Board composition

The Board of Directors recognises the importance of independence and objectivity in the decision-making process. Hence, the composition of the Board consists of the balance of skills and experience as deemed appropriate and desirable for the requirements of the size, complexity, and risk profile of the Company.

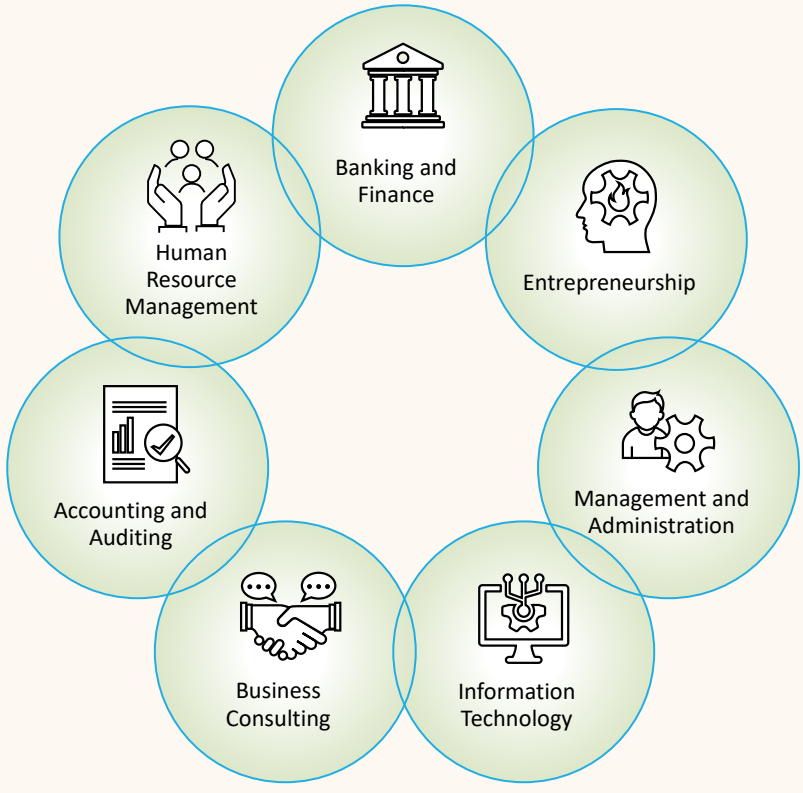
As of 31 March 2026, the Board of Directors comprised eight (8) Directors of whom one (1) was an Executive Director and seven (7) were Non-Executive Directors. Out of the Non-Executive Directors, three (3) were independent. Directors' profiles are given on pages 184 to 191 in this annual report.

| | |
|---|---|
| Chairman (Non-Executive Director) | 1 |
| Independent Non-Executive Directors (including the Senior Director) | 3 |
| Non-Independent Non-Executive Directors (excluding the Chairman) | 3 |
| Executive Director (Managing Director) | 1 |

| No. | Name of the Director | Date of appointment | Status of the directorship | Period of service up to 31 March 2026 |
|---|---|---|---|---|
| 1. | Mr Rajive Dissanayake | 29 August 2017 | Chairman – Non-Independent/Non-Executive Director | 8 years, 7 months |
| 2. | Mr Chaminda Prabhath | 29 June 2011 | Executive Director (Managing Director/CEO) | 14 years, 9 months |
| 3. | Mr Lalith Withana | 10 September 2021 | Independent/Non-Executive Director (Senior Director) | 4 years, 6 months |
| 4. | Mr Murali Polamarasetty | 15 September 2022 | Independent/Non-Executive Director | 3 years, 6 months |
| 5. | Mr Brahmanage Premalal | 29 November 2022 | Non-Independent/Non-Executive Director | 3 years, 4 months |
| 6. | Mr Anura Perera | 29 January 2024 | Non-Independent/Non-Executive Director | 2 years, 2 months |
| 7. | Dr Prasad Samarasinghe | 20 February 2024 | Non-Independent/Non-Executive Director | 2 years, 1 month |
| 8. | Ms Ramanika Unamboowe | 4 June 2025 | Independent/Non-Executive Director | 9 months |

*Notes:*
*(1) Director, Mr Hasitha Wijesundara retired from the Board of Directors w.e.f. 27 September 2025.*
*(2) Director, Mr Ruwan Manatunga resigned from the Board of Directors w.e.f. 8 January 2026.*
*(3) Director, Ms Ramanika Unamboowe appointed to the Board of Directors w.e.f. 4 June 2025.*

## Skills, expertise, and experience

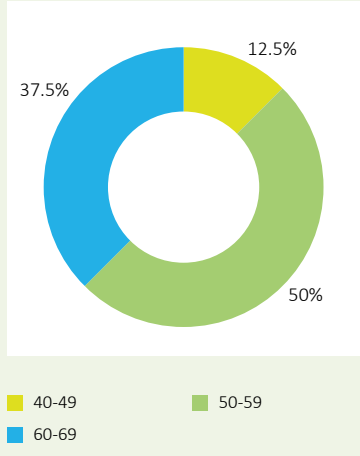



To ensure that the Board as a whole is prepared to direct the business and strategy of the Company, the Board of Directors must have the ideal balance of skills, knowledge, and experience.

## Age diversity

Age diversity has advantages, which the HNBF Board and shareholders have acknowledged. The HNBF Boardroom frequently focuses on the importance of age diversity.

### Age diversity



# Governance Report

## Segregation of roles of Chairman and Chief Executive Officer

The Chairman and CEO roles are distinct, with clearly defined and documented areas of accountability and responsibility. The Chairman is responsible to shareholders for ensuring the effectiveness of the Board, fostering sustainable business growth, and considering the interests of broader stakeholders. Leading the Board and presiding over its meetings, the Chairman ensures a balanced agenda covering aspects such as business performance, strategy, risk, compliance, and personnel. Additionally, the Chairman ensures that Directors have access to accurate, timely, and pertinent information to facilitate informed decision-making.

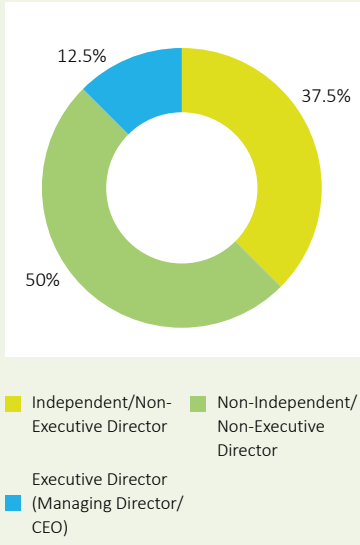
On the other hand, the CEO serves as the top executive overseeing the day- to-day management of the Company's operations and business. Accountable to the Board, the CEO develops business strategies for Board approval and ensures their timely and effective implementation while managing associated risks. Furthermore, the CEO provides leadership within the Company to execute the Board's policies and achieve the Company's objectives.

## Board independence

Each year, the Board evaluates the independence of every Non-Executive Director. To aid in this assessment, Non-Executive Directors submit declarations of their independence in accordance with Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange and the provisions outlined in the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

| Service to the Board | Number of Directors |
|---|---|
| Below 3 years | 3 |
| 3-6 years | 3 |
| 6-9 years | 1 |
| More than 9 years | 1 |
| **Total** | 8 |

### Board independence




## Board meetings

The Board held twelve (12) meetings for the financial year under review at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers are avoided as far as possible. The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for scheduled Board meetings. Notice of at least three days shall be given for a scheduled Board meeting to provide all Directors with an opportunity to attend.

At the beginning of each financial year, the Board of Directors approves an annual calendar of Board meetings. To ensure effective deliberation, the agenda, minutes, and Board papers are circulated to all Directors at least three days prior to the meeting. The Chairman, with the assistance of the Company Secretary, sets and prioritises the agenda to allocate sufficient time for meaningful discussion on each item.

## Directors' attendance at Board and Board Subcommittee meetings

| Name of the Director | Board | Board Audit Committee | Board Integrated Risk Management Committee | Board Human Resources and Remuneration Committee | Board Nominations and Governance Committee | Board Related Party Transactions Review Committee | Board Strategic and Investments Review Committee | Board Credit Committee | Board Procurement Committee | Board Recovery Committee | Board Technology Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of meetings held | 12 | 7 | 7 | 6 | 4 | 4 | 4 | 4 | 3 | 9 | 4 |
| Mr Rajive Dissanayake | 12/12 | | | 6/6 | 4/4 | | 4/4 | | 3/3 | | |
| Mr Chaminda Prabhath | 12/12 | | | | | | 1/1 | | | 2/2 | 2/2 |
| Mr Hasitha Wijesundara (1) | 4/5 | 4/4 | | 4/4 | 3/3 | 2/2 | | 2/2 | | | |
| Mr Ruwan Manatunga (2) | 8/9 | | 5/6 | | | 1/2 | | 2/2 | | 7/7 | |
| Mr Lalith Withana (3) | 12/12 | 7/7 | 1/1 | 2/2 | 4/4 | 4/4 | | | | | 2/2 |
| Mr Murali Polamarasetty (4) | 12/12 | 3/3 | 7/7 | | 2/3 | 4/4 | | | | 7/7 | 4/4 |
| Mr Brahmanage Premalal | 11/12 | | | | 2/3 | | 2/4 | | | | |
| Mr Anura Perera | 12/12 | 7/7 | | | | | | 4/4 | 3/3 | 4/4 | |
| Dr Prasad Samarasinghe (5) | 12/12 | | 7/7 | | | 1/1 | 3/3 | 1/1 | 3/3 | | 4/4 |
| Ms Ramanika Unamboowe (6) | 11/11 | | | 6/6 | 2/2 | | 1/1 | 3/3 | | 7/7 | |

*Notes:*

*(1) Director, Mr Hasitha Wijesundara retired from the Board of Directors w.e.f. 27 September 2025.*

*(2) Director, Mr Ruwan Manatunga resigned from the Board of Directors w.e.f. 8 January 2026.*

*(3) Director, Mr Lalith Withana ceased to serve as a member of the Board Human Resources and Remuneration Committee w.e.f. 2 July 2025 and reappointed w.e.f. 27 September 2025 and was appointed as the Chairman of the Board Nominations and Governance Committee w.e.f. 8 January 2026.*

*(4) Director, Mr Murali Polamarasetty ceased to serve as a member of the Board Nominations and Governance Committee w.e.f. 2 July 2025 and re appointed as a member w.e.f on 27 September 2025 and appointed to the Board Audit Committee as a member w.e.f. 27 September 2025.*

*(5) Director, Dr Prasad Samarasinghe was appointed to the Board Related Party Transactions Review Committee w.e.f. 8 January 2026.*

*(6) Director, Ms Ramanika Unamboowe was appointed to the Board Human Resources and Remuneration Committee w.e.f. 2 July 2025 and Board Nominations and Governance Committee w.e.f. 27 September 2025.*



## Directors' training and development

The Board Nominations and Governance Committee is responsible for overseeing Director training, offering Directors a continuous programme to help them understand their duties and stay up to date with their expertise and understanding of the sector in which the Company works.

In terms of Section 1.5 (b) and (c) of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons – KRPs) Directions No. 06 of 2021, all members of the Board possess the necessary qualifications, adequate skills, knowledge, and experience. Accordingly, the Board members were assigned to periodical training and development programmes. The scope of such training and development programmes covers the following:

- The roles played by and the division of responsibilities among the Shareholders, Board of Directors, Senior Management, other Managerial Staff, Executive Managers, and other stakeholders within the corporate governance system
- The Board's role in determining a Company's corporate governance framework
- The programme explores one of the most important roles: the role of the Board in the formulation and implementation of strategy and managing enterprise risk
- The financial stewardship obligations of the Board to the shareholders.

## Supply of and access to information

To ensure that the Board can fulfil its responsibilities, Directors have unrestricted access to information. The Directors also have independent access to the Company Secretary, who assist them in the discharge of their duties. The Company Secretary's responsibilities include advising the Board on Corporate Governance and ensuring that Board procedures and applicable regulations are complied with.

- All Directors receive a set of Board papers at least three (3) days before the Board meeting to give sufficient time for Directors to obtain further explanations where necessary. The Board papers include, among others, the following documents, and details.
- Agenda for the Board meeting
- Background or explanation on matters brought before the Board for decision or information
- Minutes of the preceding Board meeting; and
- Approved minutes of the Board subcommittee meeting held since the previous meeting of the Board.

## Appointments and resignations of Directors

The Board Nominations and Governance Committee is responsible for identifying candidates and reviewing and recommending nominations of Directors to the Board. Proposals for the appointment of new Directors shall be reviewed by the Board considering the competencies and skills required of the Board based on the outcome of the annual evaluation of the effectiveness of the Board. Candidates are assessed on their suitability taking into consideration, amongst others, their professional qualifications, integrity, financial and commercial business expertise, the field of expertise relevant to the Company, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge, and expertise of the Board.

Further, the Board shall determine the proposed candidate's independence under corporate governance regulations and ensure that the proposed appointment would not result in non-compliance with any of the composition requirements for the Board and the Board Subcommittees. The Board of Directors shall evaluate the fit and proper requirements in terms of CSE Listing Rules and Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021 and obtain prior approval of the Central Bank of Sri Lanka in terms of the same direction. As required by the Listing Rules, appointments of new Directors to the Board are promptly communicated to the CSE through announcements, subsequent to obtaining approval from the CBSL for their fitness and propriety. The announcements typically include a brief résumé of new Directors, relevant expertise, key appointments, shareholdings, the names of companies in which the new Director holds directorships or memberships in Board committees and status of independence.

During the year under review, there was one new appointment to the Board of Directors and two resignations from the Board, the details of which are given in the Table under Directors' Attendance at Board and Board Subcommittee meetings.

## Appraisal of Board performance

In compliance with Section 1.5 (d) of the Finance Business Act Directions (Corporate Governance) No. 05 of 2021, the Company conducts an annual self-assessment scheme involving each Director. This self-assessment is carried out through a questionnaire and aims to evaluate their performance.

Furthermore, the Board ensures the satisfactory discharge of duties and responsibilities as mandated by the Companies Act No. 07 of 2007, Finance Business Act Direction (Corporate Governance) No. 05 of 2021, Listing Rules of the Colombo Stock Exchange, and Best Practices on Corporate Governance. To accomplish this, the Board conducts an annual self-evaluation of its own performance and that of its subcommittees.

Board and subcommittee evaluations for the current year are discussed at the Board meeting level. These evaluations, along with their outcomes, are diligently maintained as part of the Company's records. The purpose of these evaluations is to assess the effectiveness of the Board and its subcommittees in fulfilling their obligations and responsibilities.

By conducting regular self-assessments and evaluations, the Company demonstrates its commitment to regulatory compliance, corporate governance best practices, and continuous improvement in performance and accountability.

## The role of the Company Secretary

The Company Secretary holds a crucial role in promoting effective corporate governance. Responsibilities of the Company Secretary span various activities related to Board and general meetings, Articles of Association, reports, accounts, and compliance with corporate governance and Stock Exchange regulations. Key duties include:

- Assisting the Chairman in conducting Board meetings, AGMs, and EGMs in line with the Articles of Association, Board Charter, and relevant laws.
- Maintaining accurate minutes of meetings and statutory registers, and ensuring timely filing of statutory returns.
- Overseeing the proper constitution and Terms of Reference of all Board Committees.
- Promoting corporate governance best practices by supporting Directors in their duties and responsibilities.
- Facilitating access to legal and professional advice, in consultation with the Board as needed.
- Ensuring the Company complies with its Articles of Association, incorporating necessary amendments through proper procedures.
- Coordinating the publication and distribution of annual reports, accounts, and interim financial statements, as well as preparing the Directors' Report.
- Monitoring compliance with Listing Rules, including disclosure requirements on related parties and transactions, and maintaining positive relationships with the Stock Exchange, shareholders, and debenture holders.
- Identifying and maintaining adequate, accurate and up-to-date information on the Beneficial Owner/(s) of the Company to prevent criminals or their associates from holding [or being the Beneficial Owner/(s) of] a significant or controlling interest of the Company and to ensure transparency of ownership and control structures of the Company.

## Board subcommittees

To meet legal obligations and improve the control of its operations, HNBF has nine Board Subcommittees in place. These Subcommittees meet regularly to discuss issues falling under the purview of their charters and terms of reference, and their recommendations are appropriately sent to the main Board. The Subcommittees' areas of responsibility, however, nonetheless fall within the purview of the Board as a whole.

According to the schedule below, the Board has given the Subcommittees control over certain tasks. The resources available to these Subcommittees allow them to concentrate on their assigned responsibilities and guarantee impartial supervision. The composition of the Board Subcommittees as of 31 March 2026 is as follows.

## Composition of board subcommittees

| Name of the Subcommittee | Role of the Committee | Members |
|---|---|---|
| Board Audit Committee | Assist the Board of Directors of the Company in fulfilling its oversight responsibilities for the financial reporting, the system of internal controls, the audit process, and the monitoring process for compliance with laws, regulations, and directions. | Mr Lalith Withana (Committee Chairman)<br>Mr Anura Perera<br>Mr Murali Polamarasetty |
| Board Integrated Risk Management Committee | Assist the Board of Directors in fulfilling its oversight responsibilities for all aspects of risk management by reviewing risks such as credit, market, liquidity, operational, strategic, compliance, and technology through appropriate risk indicators and management information | Mr Murali Polamarasetty (Committee Chairman)<br>Dr Prasad Samarasinghe<br>Mr Lalith Withana |
| Board Human Resources and Remuneration Committee | Assist the Board of Directors in evaluating, assessing and recommending the Company's remuneration structure aligned with performance parameters. | Ms Ramanika Unamboowe (Committee Chairperson)<br>Mr Rajive Dissanayake<br>Mr Lalith Withana |
| Board Nominations and Governance Committee | Assist the Board of Directors in fulfilling its oversight responsibility to develop and maintain a formal, rigorous, and transparent procedure for making recommendations on appointments of Board of Directors and Key Responsible Persons (KRPs), re-appointments of Board of Directors and reviewing the succession plans for the Directors and Key Responsible Persons (KRPs). | Mr Lalith Withana (Committee Chairman)<br>Mr Rajive Dissanayake<br>Mr Brahmanage Premalal<br>Mr Murali Polamarasetty<br>Ms Ramanika Unamboowe |
| Board Related Party Transactions Review Committee | Assist the Board of Directors in ensuring that the Company takes the interest of shareholders as a whole into consideration in a manner of avoiding conflicts of interest. | Mr Murali Polamarasetty (Committee Chairman)<br>Mr Lalith Withana<br>Dr Prasad Samarasinghe |
| Board Procurement Committee | Provide oversight of the procurement process and approve/ recommend expenditure on activities relating to procurement in accordance with the Procurement Policy and the Financial Authority Manual of HNBF. | Dr Prasad Samarasinghe (Committee Chairman)<br>Mr Rajive Dissanayake<br>Mr Anura Perera |
| Board Strategic and Investments Review Committee | Evaluate proposals of the Management on the Company's strategic plan, all strategic investments, and divestments and monitor the performance of same. Further, evaluate and review the progress of business transformation projects of the Company. Overlook all current and future strategic investments, divestments, and disposals of the Company. | Mr Rajive Dissanayake (Committee Chairman)<br>Mr Brahmanage Premalal<br>Ms Ramanika Unamboowe<br>Mr Chaminda Prabhath<br>Dr Prasad Samarasinghe |
| Board Credit Committee | Assist the Board of Directors in overseeing the credit management function, strategies, and objectives and ensure credit risks are reviewed and managed properly. | Ms Ramanika Unamboowe (Committee Chairperson)<br>Mr Anura Perera<br>Dr Prasad Samarasinghe |
| Board Recovery Committee | Develop Recovery Policy and Plans, provide strategic oversight of short-term and long-term recovery plan implementation and oversee the delivery of the recovery strategies of the Company. | Mr Anura Perera (Committee Chairman)<br>Ms Ramanika Unamboowe<br>Mr Chaminda Prabhath |
| Board Technology Committee | Encompasses all strategic and operational activities related to information technology covering Strategic Alignment, Project Oversight, Governance and Compliance, Cybersecurity and Risk Management, Performance Monitoring, Innovation and Emerging Technologies, and Resource Oversight. | Dr Prasad Samarasinghe (Committee Chairman)<br>Mr Murali Polamarasetty<br>Mr Chaminda Prabhath |

## Management committees

The following Management Committees oversee the day-to-day operations and affairs of HNBF while implementing the strategies and objectives decided upon by the Board of Directors and its Subcommittees.

- Executive Risk Management Committee (ERMC)
- Assets & Liabilities Committee (ALCO)
- IT Steering Committee (ITSC)
- Information Security Committee (ISC)
- Credit Policy Committee (CPC)

## Internal charters and policies

Internal charters, policies and procedures encourage better governance, risk management, controls, and compliance throughout the Organisation in addition to increased development. These provide the framework on which the Board and the Management may create and maintain an open and efficient internal control system.

## Key regulatory requirements and elements of corporate governance framework

| External | Internal |
|---|---|
| • Finance Business Act No. 42 of 2011<br>• Companies Act No. 07 of 2007 and its amendments<br>• Finance Leasing Act No. 56 of 2000<br>• The Finance Companies Directions, rules, determinations, notices, and guidelines applicable to Licensed Finance Companies issued by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011<br>• Finance Business Act Directions No. 05 of 2021 on Corporate Governance and as amended<br>• Financial Transactions Reporting Act No. 06 of 2006<br>• Listing Rules of the Colombo Stock Exchange<br>• Directions and Circulars issued by the Securities and Exchange Commission (SEC) of Sri Lanka<br>• The Inland Revenue Act No. 02 of 2025 and its amendments<br>• The Shop and Office Employees Act No. 19 of 1954 and its amendments<br>• The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995<br>• Extraordinary Gazette No. 2344/7 issued on Financial Consumer Protection Regulations<br>• CBSL Roadmap for Sustainable Finance<br>• All other applicable legislative requirements | • Vision, Mission and Corporate Values<br>• Articles of Association<br>• Corporate Governance Framework<br>• Terms of Reference of the Board, Board Subcommittees and Management Committees<br>• Integrated Risk Management Framework<br>• The Board approved policies on all major governance, risk management and operational aspects<br>• Related Party Transactions Policy<br>• Code of Conduct and Ethics<br>• Corporate Communications Policy<br>• Whistleblowing Policy<br>• Delegation of Authority Limits<br>• Policy on Environmental, Social and Governance |

## Compliance

The Compliance Officer independently assesses compliance with all relevant statutes, rules, and regulations and communicates findings to the Board, Board Audit Committee and Board Integrated Risk Management Committee. To guarantee that the Company complies with all applicable regulatory obligations, the Compliance Officer also evaluates changes in the regulatory environment and takes the required action. To create a corporate governance system and culture that is entirely compliant with all reporting obligations, HNBF has implemented an advanced monitoring mechanism.

To reinforce governance with internal control, HNBF has created a compliance unit whose job is to monitor and evaluate the Company's adherence to applicable laws, rules, regulatory guidelines, and other authorised policies.

## Internal audit

The internal audit function of HNBF is a critical component of the Organisation's governance structure because it focuses on providing the Board Audit Committee with independent risk-based oversight of internal policies and controls as well as the level of legal and regulatory compliance. The internal audit independently and impartially monitors the internal control mechanisms to systematically review and suggest improvements for more effective internal control processes and governance. Internal audit also performs impartial evaluations of adherence to risk policies and procedures to ensure the effectiveness of risk management strategies used at HNBF. The Internal Audit Division reports to the Board via the Board Audit Committee to maintain its independence.

## External audit

The Board can review the appropriateness, adequacy, and effectiveness of the Organisation's internal controls using the information in an external audit report, which is a critical part of a sound corporate governance system.

To make sure that the internal controls are in place for the preparation and presentation of the Financial Statements are adequate and effective, HNBF performs an interim audit in addition to the audit at the end of the financial year.

The HNBF's External Auditors are Messrs KPMG. The External Auditors offer the Organisation other non-audit services in addition to the typical audit services. All these services have been offered with the Board Audit Committee's agreement and in a way that ensures neither the independence of their audit work nor the perception of such independence would be compromised. An annual certificate of independence is also given by the External Auditors.

## External Auditor's certification on compliance

In accordance with the demands of the Finance Business Act (Corporate Governance) Directions No. 05 of 2021, the External Auditors carry out procedures in accordance with the Sri Lanka Standard on Related Services (SLSRS) published by The Institute of Chartered Accountants of Sri Lanka, to evaluate the Company's level of compliance with the demands of the above direction and provide a certification thereon to the Board. The Board discussed the conclusions presented by the External Auditors for the previous year, and their suggestions for additional improvements were put into practice throughout the financial year.

## Related party transactions

The Company has implemented related party transaction policies and processes. These cover relatedness criteria, restrictions imposed, transaction conditions, and the authorities and guidelines for authorising and overseeing the transactions. The Related Party Transactions Review Committee examines non-recurring related party transactions as well as those involving interested parties, and it informs the Board of any such transactions that may occur. There are precautions made to ensure that related-party loan terms and conditions are not more favourble than those given to non-related obligors in comparable situations.

## Whistleblowing policy

Employees and other stakeholders can anonymously report potential financial irregularities, asset abuse, inaccurate financial reporting, and other problems that may call for internal inquiry under the terms of the Whistleblowing Policy. The Board Audit Committee examines each whistleblower complaint. The Committee will continue two-way communication throughout the inquiry process to make sure the whistleblower is updated on the probe's status. The Whistleblowing Policy reach was further broadened to cover the current financial year.

## Conflicts of interest

A conflict of interest arises when a Board member has a personal interest that conflicts with the interests of the Company. The Board has approved the corporate governance framework, which incorporates the Company's policy on managing conflicts of interest. This policy outlines the processes and procedures to be followed in managing conflicts, with the ultimate objective of protecting the public interest. Accordingly, any Director who has a conflict of interest on a matter will not participate in the deliberations except to disclose material facts and to respond to questions and abstain from voting thereon.

## Communication with shareholders

The Board values shareholder engagement and encourages shareholders to share their opinions. To facilitate constructive dialogue, the Board has established practices tailored to the Company's investor community. These include channels for shareholders to voice their concerns and receive timely responses. Additionally, the Board actively explores new methods of engaging with shareholders that are suitable for HNBF's

circumstances. Procedures are in position to ensure timely provision of information to current and potential investors. The Board thoroughly reviews and approves key disclosure documents, such as the Management's Discussion and Analysis in the Annual Report.

## Annual general meeting

The Annual General Meeting (AGM) serves as an opportunity for shareholders to express their opinions and interact with the Board, including the Chairpersons of the Board Committees and Key Responsible Persons. Our External Auditor is present to address any queries from shareholders.

During the AGM, HNBF presents its financial performance for the previous year to shareholders. The Chairman plays a crucial role in facilitating constructive dialogue among shareholders, Board members, and Management during these meetings. HNBF highly values and encourages shareholder participation at its general meetings.

Following the recommendations outlined in the Code and Guidelines, resolutions requiring shareholder approval are presented separately for consideration at the Company's general meetings, unless they are closely related and better suited for joint presentation.

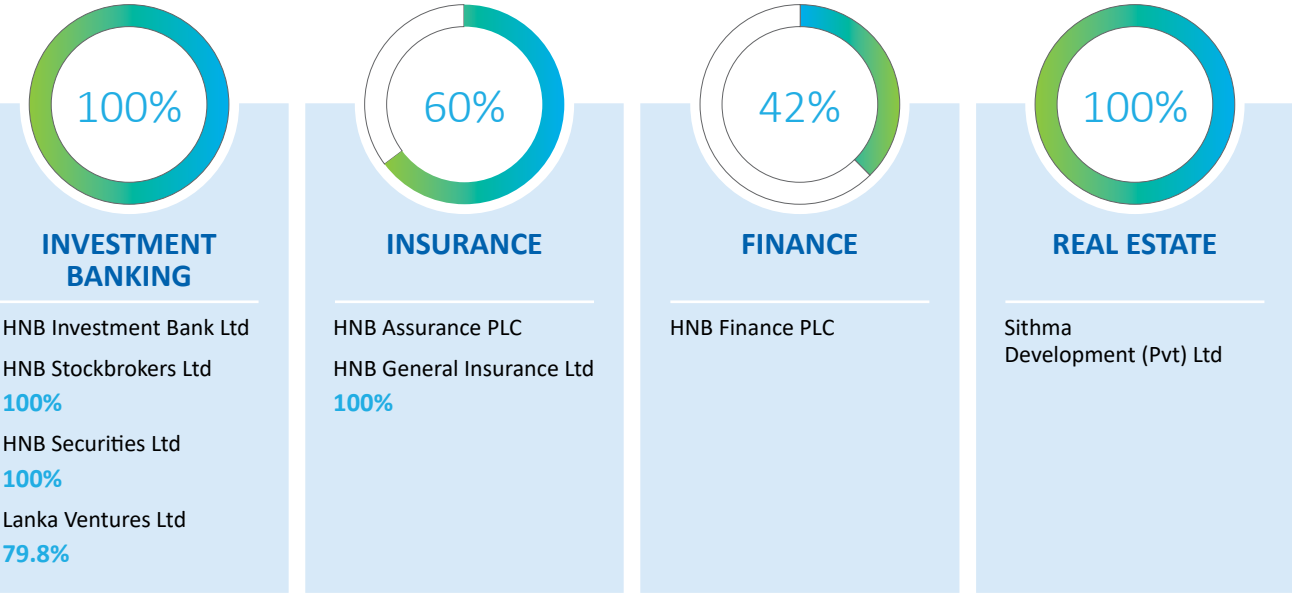
## Statement of compliance

The level of compliance with the regulations on Corporate Governance is outlined below. These disclosures have been made in accordance with the relevant corporate governance regulations, including:

1. Finance Business Act (Corporate Governance) Direction No. 05 of 2021 and as amended.
2. Section 09 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance, as detailed in this report.

## Group governance structure

HNB Finance PLC is a subsidiary of HNB Group and the governance structure of the HNB Group is depicted below.



# Statement of Compliance

Compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies as of 31 March 2026.

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 1 | Board's Overall Responsibilities | | |
| 1.1 | The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing Management's implementation of the FCs corporate strategy, setting up the governance framework, establishing corporate culture, and ensuring compliance with regulatory requirements. | Complied with | The Board has approved a Strategic Business Plan covering the period from 2026/27 to 2028/29 and a Board-approved governance framework is in place which establishes a sound corporate culture across the Company while ensuring regulatory compliance. |
| 1.2 | Business Strategy and Governance Framework | | |
| 1.2 (a) | Approving and overseeing the implementation of strategic objectives, including, the overall business strategy, with measurable goals for at least the next three years and update annually in light of the current developments. | Complied with | The Board approved the Company's three-year strategic plan covering the period from 2026/27 to 2028/29. |
| 1.2 (b) | Approving and implementing FCs governance framework in light of the FCs size, complexity, business strategy, and regulatory requirements. | Complied with | A Board-approved governance framework is in place. |
| 1.2 (c) | Assessing the effectiveness of its governance framework periodically. | Complied with | The effectiveness of the Board-approved governance framework is periodically assessed by the Board of Directors. |
| 1.2 (d) | Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities. | Complied with | The Board has appointed the Chairman and the Chief Executive Officer (CEO) and there is a clear division and definition of the functions and responsibilities of the Chairman and CEO.<br><br>Mr Rajive Dissanayake, Non-Independent Non-Executive Director was appointed as the Chairman on 8 January 2024.<br><br>Mr Chaminda Prabhath is the Chief Executive Officer who is in charge of the overall management of the Company. |
| 1.3 | Corporate Culture and Values | | |
| 1.3.a | Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour. | Complied with | The HNB Finance PLC shares a strong and well-established corporate culture that drives the Company towards integrity, competence, diligence, and respect while strengthening ethical, prudent, and professional behaviour across the Company. |
| 1.3. b | Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest. | Complied with | The Board-approved Code of Conduct and Ethics is in place and applicable to all the employees of the Company. Such Code emphasises on fair dealing, protection, and proper use of the Company's assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behavior, discrimination, and harassment, health, and safety, discipline, etc. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 1.3 (c) | Promoting sustainable finance through appropriate environmental, social, and governance considerations in the FC's business strategies. | Complied with | Through the business model, the Company is supporting the economy by way of sustainable financing. This has been extensively discussed elsewhere in this Annual Report. |
| 1.3 (d) | Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, in the view of projecting a balanced view of the Company's performance, position, and prospects with the public and regulators. | Complied with | The Board-approved communication policy is in place and ensures the effective internal and external communication of corporate information with all stakeholders including depositors, creditors, shareholders and borrowers of the Company. |
| 1.4 | Risk Appetite, Risk Management, and Internal Controls | | |
| 1.4 (a) | Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework. | Complied with | The Board-approved Risk Appetite Framework (RAF), including the Risk Appetite Statement (RAS), is in place and aligned with the Company's business strategy and overall governance framework. |
| 1.4 (b) | Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently. | Complied with | Identification, mitigation and management of risk indicators such as credit risk, market risk, operational risk and other types of risks are discussed and corrective actions are recommended by the Board Integrated Risk Management Committee. |
| 1.4 (c) | Adopting and reviewing the adequacy and effectiveness of the Company's internal control systems and management information systems periodically. | Complied with | On a periodic basis, adopting and reviewing the adequacy and effectiveness of the Company's internal control systems and management information systems have been done during the financial year. |
| 1.4 (d) | Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances. | Complied with | A Board-approved business continuity and disaster recovery plan is in place. |
| 1.5 | Board Commitment and Competency | | |
| 1.5 (a) | All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company. | Complied with | The Company's Board of Directors pays sufficient time and effort to address the concerns involved with the affairs of the Company. |
| 1.5 (b) | All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience. | Complied with | The Company's Board of Directors comprised eminent personnel with the required knowledge, expertise and experience to deal with the matters and their profiles are given on pages 184 to 191. |
| 1.5 (c) | The Board shall regularly review and agree on the training and development needs of all the members. | Complied with | The Board has reviewed the training and development requirements of all the members. The Board of Directors has been enrolled in the Board Leadership Director Certification Programme conducted by the Sri Lanka Institute of Directors (SLID). |
| 1.5 (d) | The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments. | Complied with | A rigorous self-assessment mechanism is in place to assess the performance of individual Directors, the Board as a whole, and its Subcommittees. The records of such assessments are maintained by the Company Secretary. The summary of the self-assessment is submitted to the Board, enabling Directors to discuss relevant matters, if any. |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 1.5 (e) | The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC. | Complied with | The Board is able to obtain independent professional advice as and when necessary, at the expense of the Company and a Board approved procedure is in place. |
| 1.6 | Oversight of Senior Management | | |
| 1.6 (a) | Identifying and designating Senior Management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management. | Complied with | The Board of Directors identified and designated the Key Responsible Persons as members of the Senior Management including,<br>Managing Director/CEO<br>Deputy Chief Executive Officer<br>DGM – Finance/Chief Financial Officer<br>DGM – Risk Management/Chief Risk Officer<br>DGM – HR/Chief Human Resources Officer<br>DGM – Operations<br>DGM – Technology/Chief Information Officer<br>DGM – Recoveries/Chief Recovery Officer<br>DGM – Credit/Chief Credit Officer<br>DGM – Head of Internal Audit<br>DGM – Head of Credit<br>AGM – Channel Management<br>AGM – Recoveries<br>AGM – Finance<br>AGM – Gold Loans<br>AGM – Product Business Management<br>AGM – Company Secretary<br>AGM – Head of Compliance<br>AGM – Business Transformation and Digital Implementation<br>Acting Chief Information Security Officer |
| 1.6 (b) | Defining the areas of authority and key responsibilities for the Senior Management. | Complied with | The Board of Directors of the Company has defined the duties and responsibilities of the Key Responsible Persons and the Board of Directors has approved delegated authority limits applicable to Senior Management. |
| 1.6 (c) | Ensuring the Senior Management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives. | Complied with | The Company's Key Responsible Persons possess the required qualifications, skills, knowledge, competencies, and experience. |
| 1.6 (d) | Ensuring there is appropriate oversight of the affairs of the Company by Senior Management. | Complied with | Oversight of the affairs of the Company by Senior Management takes place at the Board meetings and Board Subcommittee meetings. Senior Management engages in regular presentations to the Board/Board Subcommittees on matters under their purview. |
| 1.6 (e) | Ensuring the FC has an appropriate succession plan for Senior Management. | Complied with | The Company has a Board approved one to one succession plan in place for the Senior Management. |
| 1.6 (f) | Meeting regularly with the Senior Management to review policies, establish lines of communication and monitor progress towards strategic objectives. | Complied with | The Managing Director/CEO is called to regular Board meetings to review policies and monitor the progress towards the corporate objectives. The other KRPs attend Board meetings by invitation and make presentations, elaborating on matters relating to their areas of responsibility. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 1.7 | Adherence to the Existing Legal Framework | | |
| 1.7 (a) | Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders. | Complied with | As established by the Company's Corporate Governance Framework, the Company does not act in a manner that is detrimental or prejudicial to the interests of and obligations to, depositors, shareholders, and other stakeholders. |
| 1.7 (b) | Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. | Complied with | The Company adheres to the existing regulatory framework which comprises relevant laws, regulatory stipulations, directions and ethical standards. Internal control measures, policies, and procedures including a Board approved Code of Conduct and Ethics are in place ensuring compliance with the same. |
| 1.7 (c) | Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently. | Complied with | The Board approved corporate governance framework establishes the requirement of acting with due care, prudence and integrity. A Board-approved Code of Conduct and Ethics requires such behaviour which avoids potential civil and criminal liabilities that may result from failure for due diligence. |
| 2 | Governance Framework | | |
| 2.1 | The Board shall develop and implement a governance framework in line with the Finance Business Act Directions No. 05 of 2021. | Complied with | A Board approved corporate governance framework is in place. |
| 3 | Composition of the Board | | |
| 3.1 | The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company. | Complied with | The extent of compliance with this requirement is disclosed on pages 198 to 199 under Board Composition and page 199 under Skills, Expertise, and Experience. |
| 3.2 | The number of Directors on the Board shall not be less than 7 and not more than 13. | Complied with | The extent of compliance with this requirement is disclosed on the pages 198 to 199 under Board Composition. |
| 3.3 | The total period of service of a Director other than a Director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to Direction 3.4. | Complied with | Mr Brahmanage Premalal, initially appointed as the Deputy Chairman and Non-Independent/Non-Executive Director on 29 June 2011, retired from the Board of Directors on 29 June 2020 in accordance with Section 4 (2) of the Finance Companies (Corporate Governance) Direction No. 3 of 2018, after completing nine years of service. Subsequently re-appointed as a Non-Independent/Non-Executive Director in compliance with Section 3 (4) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021, effective from 29 November 2022. |
| 3.4 | Non-Executive Directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding nine years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in Direction 4.2 and 4.3. Provided, however, the number of Non-Executive Directors eligible to exceed nine years is limited to one-fourth (¼) of the total number of Directors on the Board. | Complied with | |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 3.5 | Executive Directors | | |
| 3.5 (a) | Only an employee of a company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of Directors of the Board. | Complied with | The Board consists of one Executive Director and does not exceed one-third of the number of Directors on the Board. |
| 3.5 (b) | A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an Executive Director or as Senior Management. Provided however, existing Executive Directors with a contract of employment and functional reporting line and existing Senior Management are allowed to continue as an Executive Director/Senior Management until the retirement age of the FC and may be reappointed as a Non-Executive Director subject to provisions contained in Directions 4.2 and 4.3. Existing Executive Directors without a contract of employment and functional reporting line need to step down from the position of Executive Director from the effective date of this direction and may be reappointed as Non-Executive Directors subject to provisions contained in Directions 4.2 and 4.3. | Complied with | Mr Chaminda Prabhath functions as the Executive Director (MD/CEO) of the Company with a contract of employment and functional reporting line which is directed to the Board of Directors has been established. |
| 3.5 (c) | In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company. | Complied with | Mr Chaminda Prabhath is the only Executive Director of the Company who functions as the Managing Director/CEO. |
| 3.5 (d) | All Executive Directors shall have a functional reporting line in the organisation structure of the Company. | | |
| 3.5 (e) | The Executive Directors are required to report to the Board through the CEO. | | |
| 3.5 (f) | Executive Directors shall refrain from holding Executive Directorships or Senior Management positions in any other entity. | Complied with | Mr Chaminda Prabhath does not hold any Executive Directorships or Senior Management positions in any other entity. |
| 3.6 | Non-Executive Directors | | |
| 3.6 (a) | Non-Executive Directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct. | | Appointments to the Board are made with the recommendation of the Board Nominations and Governance Committee.<br>The Directors are eminent personnel with the required knowledge, expertise and experience to bring an independent judgement on the issues of strategy, performance, resources, and standards of business conduct. Profiles of the Directors are given on pages 184 to 191. |
| 3.6 (b) | A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company. | Complied with | Circumstances to this effect have not arisen during the year under review. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 3.7 | Independent Directors | | |
| 3.7 (a) | The number of Independent Directors of the Board shall be at least three or one-third of the total number of Directors, whichever is higher. | Complied with | The Board comprised three Independent Directors during the year under review. The extent of compliance with this requirement is disclosed on pages 198 to 199 under Board Composition. |
| 3.7 (b) | Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records, and sufficient experience. | Complied with | The extent of compliance with this requirement is disclosed on pages 184 to 191 under "profiles of directors". |
| 3.7 (c) | A Non-Executive Director shall not be considered independent if such: | | |
| 3.7 (c) i | Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company. | Complied with | No such circumstance took place during the year under review. |
| 3.7 (c) ii | Director or a relative has or had during the period of one year immediately preceding the appointment as Director, material business transaction with the FC, as described in Direction 12.1 (c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. | Complied with | No such circumstance took place during the year under review. |
| 3.7 (c) iii | Director has been employed by the Company or its affiliates or is or has been a Director of any of its affiliates during the one year, immediately preceding the appointment as Director. | Complied with | No such circumstance took place during the year under review. |
| 3.7 (c) iv | Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as Director. | Complied with | No such circumstance took place during the year under review. |
| 3.7 (c) v | Director has a relative, who is a Director or Senior Management of the Company or has been a Director or Senior Management of the Company during the one year, immediately preceding the appointment as Director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company. | Complied with | No such circumstance took place during the year under review. |
| 3.7 (c) vi | Director represents a shareholder, debtor, or such other similar stakeholder of the FC; | Complied with | No such circumstance took place during the year under review. |
| 3.7 (c) vii | Director is an employee or a Director or has a direct or indirect shareholding of 10% or more of the stated capital in a company or business organisation, in which any of the other Directors of the FC is employed or a Director; | Complied with | The extent of compliance with this requirement is disclosed on page 200 under "Board Independence". |
| 3.7 (c) viii | Director is an employee or a Director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in Direction 12.1 (c), or in which any of the other Directors of the Company has a transaction as defined in Direction 12.1 (c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC. | Complied with | No such circumstance took place during the year under review. |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 3.7 (d) | The Nominations and Governance Committee and Board should determine whether there is any circumstance or relationship, which is not listed in Direction 3.7, which might impact a Director's independence or the perception of the independence. | Complied with | No such circumstance took place during the year under review. |
| 3.7 (e) | An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such Director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation. | Complied with | The extent of compliance with this requirement is disclosed on page 200 under "Board Independence". |
| 3.8 | Alternate Directors | | |
| 3.8 (a) | Representation through an alternate Director is allowed only if,<br>i. With prior approval of the Director under the Finance Business Act (fitness and propriety of KRPs) Directions No. 06 of 2021.<br>ii. If the current Director is unable to perform his duties as a Director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad. | Not applicable | No alternate Directors were appointed during the year under review. |
| 3.8 (b) | The existing Directors of the FC cannot be appointed as an alternate Director to another existing Director of the FC. | Not applicable | No alternate Directors were appointed during the year under review. |
| 3.8 (c) | A person appointed as an alternate Director to one of the Directors cannot extend the role as an alternate Director to another Director in the same Board. | | |
| 3.8 (d) | An alternate Director cannot be appointed to represent an Executive Director. | | |
| 3.8 (e) | In the event an alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that apply to an Independent Director. | | |
| 3.9 | Cooling-off Periods | | |
| 3.9 (a) | There shall be a cooling-off period of six months prior to an appointment of any person as a Director, CEO of the FC, who was previously employed as a CEO or Director, of another FC. Any variations thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of an FC which needs restructuring, shall be made with prior approval of the Monetary Board. | Not applicable. | Circumstances to this effect have not arisen during the year under review. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 3.9 (b) | A Director, who fulfils the criteria to become an Independent Director, shall only be considered for such appointment after a cooling-off period of one year if such Director has been previously considered as non-independent under the provision of this direction. | Complied with | Circumstances to this effect have not arisen during the year under review. |
| 3.10 | Common Directorships | | |
| | Director or Senior Management of a company shall not be nominated, elected, or appointed as a Director of another company except where such company is a parent company, subsidiary company, or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5 (f). | Complied with | None of the Directors or Senior Management is nominated, elected and/or appointed as a Director of another Company except where such company is a parent company, subsidiary company, or an associate company or has a joint arrangement with the Company. |
| 3.11 | The Board shall determine the appropriate limits for directorships that can be held by Directors. However, a Director of a Finance Company shall not hold office as a Director or any other equivalent position (shall include alternate Directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC. | Complied with | There were no Directors who hold directorates in more than twenty (20) companies/entities/ institutions. |
| 4 | Assessment of Fit and Proper Criteria | | |
| 4.1 | No person shall be nominated, elected, or appointed as a Director of the Company or continue as a Director of such company unless that person is a fit and proper person to hold office as a Director of such company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended. | Complied with | Nomination, election and appointment of Directors take place in terms of the Board approved Corporate Governance Framework which is articulated in terms of the Finance Business Act No. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons. |
| 4.2 | A person over the age of 70 years shall not serve as a Director of an FC. | Complied with | None of the members of the Board of Directors of the Company exceeds the age of 70 years. |
| 4.3 | Notwithstanding provisions contained in 4.2 above, a Director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31 March 2025, is permitted to continue in office as a Director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following: | Complied with | Circumstances to this effect have not arisen during the year under review. |
| 4.3 (a) | Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. | | |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 4.3 (b) | Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3 (a). | | |
| 4.3 (c) | The maximum number of Directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of Directors. | | |
| 4.3 (d) | The Director concerned shall have completed a minimum period of three continuous years in office, as at the date of the first approval. | | |
| 5 | Appointment and Resignation of Directors and Senior Management | | |
| 5.1 | The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. | Complied with | All the appointments, resignations or removals pertaining to the Board of Directors and Senior Management are effected in conformity with the Finance Business Act Direction No. 06 of 2021 on the Assessment of Fitness and Propriety of Key Responsible Persons. |
| 6 | The Chair and the Chief Executive Officer | | |
| 6.1 | There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing. | Complied with | The roles of Chairman and Chief Executive Officer are held by two (2) individuals separately. |
| 6.2 | The Chairperson shall be an Independent Director, subject to 6.3 below. | Complied with | Mr Rajive Dissanayake, the Chairman of the Company is a Non-Independent Non-Executive Director.<br><br>Since the Chairman is not an Independent Non-Executive Director, the Board has designated Mr Hasitha Wijesundara (Independent Non-Executive Director) as the Senior Director until his retirement on 26 September 2025 and the Board designated Mr Lalith Withana, Independent Non-Executive Director as the Senior Director with effect from 26 September 2025 in terms of the Board approved Terms of Reference pertaining to Senior Director. |
| 6.3 | In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other Directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually. | Complied with | The Chairperson's performance applicable for the year under review has been assessed by all the Non-Executive Directors including the Senior Director. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 6.4 | Responsibilities of the Chairperson | | |
| 6.4 (a) | Provide leadership to the Board; | Complied with | The functions and responsibilities of the Chairman have been defined in the Board approved corporate governance framework including the stipulated requirements.<br><br>The annual self-assessment of the Board includes a criterion that evaluates the effectiveness of the Chairman in facilitating the Board's discharge of its responsibilities.<br><br>The Chairman has delegated the function of preparing the agenda of Board meetings to the Company Secretary.<br><br>The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and Board papers with sufficient time prior to the meetings.<br><br>The Chairman ensures that the relationship among the Directors provides an opportunity for all Directors to actively participate in the Board's affairs. This process is further strengthened through the annual self- evaluation of the Board and Board Subcommittees where the views of all Directors are canvassed in respect of the performance of the Board and Subcommittees as a whole.<br><br>The Chairman is not directly involved in the supervision of Senior Management or any other executive duties.<br><br>The AGM of the Company is the main forum where the Board maintains effective communication with shareholders. Further, the Board-approved communication policy evidence the Company's process in this regard.<br><br>The Chairman has assessed the performance and contribution of the Board of Directors including the MD/CEO during the year under review. |
| 6.4 (b) | Maintain and ensure a balance of power between the Executive and Non-Executive Directors; | | |
| 6.4 (c) | Secure effective participation of both Executive and Non-Executive Directors. | | |
| 6.4 (d) | Ensure the Board works effectively and discharges its responsibilities. | | |
| 6.4 (e) | Ensure all key issues are discussed by the Board in a timely manner. | | |
| 6.4 (f) | Implement decisions/directions of the regulator. | | |
| 6.4 (g) | Prepare the agenda for each Board meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary. | | |
| 6.4 (h) | Not engage in activities involving direct supervision of Senior Management or any other day-to-day operational activities. | | |
| 6.4 (i) | Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. | | |
| 6.4 (j) | Annual assessment of the performance and contribution during the past 12 months of the Board and the CEO. | | |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 6.5 | Responsibilities of the CEO | | |
| | The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include | Complied with | In terms of duties and responsibilities of the MD/CEO, he is the apex executive of the Company who is responsible for the day-to-day operations of the Company with the assistance of Senior Management.<br><br>The MD/CEO is accountable to the Board of Directors to recommend the Company's strategy implementation and ensure appropriate internal controls are in place to assess, control, and mitigate risks. |
| 6.5 (a) | Implementing business and risk strategies in order to achieve the FCs strategic objectives; | Complied with | The MD/CEO ensures the implementation of Board recommended business strategic plans, appropriate risk measures and internal controls. |
| 6.5 (b) | Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions; | Complied with | The MD/CEO has implemented a managerial framework that encourages responsibility and openness across all aspects of the Company's operations while ensuring efficiency and autonomy. |
| 6.5 (c) | Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behavior. | Complied with | The MD/CEO, in collaboration with the Board, fosters a healthy corporate culture within the Company that strengthens ethical, cautious, and professional conduct. |
| 6.5 (d) | Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator. | Complied with | The MD/CEO guarantees the establishment of an appropriate culture of compliance and takes responsibility for the accurate submission of information to the regulator. |
| 6.5 (e) | Strengthening the regulatory and supervisory compliance framework. | Complied with | The MD/CEO enhances the framework for regulatory and supervisory compliance. |
| 6.5 (f) | Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. | Complied with | The MD/CEO promptly and appropriately deals with supervisory concerns and instances of non-compliance with regulatory requirements or internal policies. |
| 6.5 (g) | CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-Executive Director of another company, subject to Direction 3.10. | Complied with | The MD/CEO dedicates their entire professional time to serving the Company and does not engage in any other business activities. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
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| 7 | Meetings of the Board | | |
| 7.1 | The Board shall meet at least twelve times a financial year at approximately monthly intervals.<br><br>Obtaining the Board's consent through the circulation of papers to be avoided as much as possible. | Complied with | The Board conducted 12 meetings during the 12-month period, held approximately at monthly intervals. The consent of the Board is usually obtained at meetings with due notice given with Board papers. Consent obtained by circulation has been kept at a minimum. |
| 7.2 | The Board shall ensure that arrangements are in place to enable matters and proposals by all Directors of the Board to be represented in the agenda for scheduled Board meetings. | Complied with | A formal procedure has been implemented to enable all Directors to include matters and proposals in the agenda for regular Board meetings. |
| 7.3 | A notice of at least three days shall be given for a scheduled Board meeting. For all other Board meetings, reasonable notice shall be given. | Complied with | An annual calendar of Board meetings has been issued at the beginning of the year. It was ensured that prior notice of at least three days was given to Board members. There were no special meetings held during the period. |
| 7.4 | A Director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions. | Complied with | The Board of Directors allocates adequate time to prepare for and participate in Board meetings, active contribution in sharing views and recommendations can be seen. |
| 7.5 | A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of Directors that constitute the quorum at such meeting are Independent Directors. | Complied with | Circumstances to this effect have not arisen during the year under review. |
| 7.6 | The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year. | Complied with | The Chairman held two meetings with the Non-Executive Directors only, without the Executive Directors being present. |
| 7.7 | A Director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting. | Complied with | A formal process is in place to identify and manage conflicts of interest. Directors who declare an interest abstain from participating in the relevant deliberations and decision-making, and such abstentions are duly recorded in the minutes of the Board and Board Sub-Committee meetings. |
| 7.8 | 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 three consecutive meetings held, shall cease to be a Director. Provided that participation at the Directors' meetings through an alternate Director shall be acceptable as attendance. | Complied with | Circumstances to this effect have not arisen during the year under review. |
| 7.9 | Scheduled Board Meetings and Ad Hoc Board Meetings | | |
| | For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the Director cannot attend on short notice, participation through electronic means is acceptable. | Complied with | The extent of compliance with this requirement is disclosed on page 201 under Directors' Attendance at Board and Board Subcommittees meetings. |

## Statement of Compliance

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| 8 | Company Secretary | | |
| 8.1 (a) | The Board shall appoint a Company Secretary considered to be Senior Management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations. | Complied with | The Board of Directors appointed the Company Secretary inconformity with the provisions of the Companies Act No. 07 of 2007 (and as amended). |
| 8.1 (b) | The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under Section 222 of the Companies Act No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution. | Complied with | The Board of Directors appointed Ms Manjula Weerasuriya as the Company Secretary w.e.f. 3 August 2023. |
| 8.2 | All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures, laws, directions, rules, and regulations are followed. | Complied with | A formal procedure has been implemented and all Directors have access to the Company Secretary for advice and services where necessary. |
| 8.3 | The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function. | Complied with | The Chairman has delegated to the Company Secretary the function of preparing the agenda for Board meetings and for circulation to the Board. |
| 8.4 | The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/ or voice recordings/video recordings for a minimum period of 6 years. | Complied with | The Company Secretary maintains the minutes of the Board meetings in an orderly manner with all submissions to the Board members including voice/ video recordings for a minimum period of six years. |
| 8.5 | The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC. | Complied with | |
| 8.6 | Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following:<br>(a) a summary of data and information used by the Board in its deliberations;<br>(b) the matters considered by the Board;<br>(c) fact-finding discussions and the issues of contention or dissent including the contribution of each individual Director.<br>(d) the explanations and confirmations of relevant parties which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions.<br>(e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted;<br>(f) the decisions and Board resolutions. | Complied with | The Company Secretary records the contributions made by each member and the decisions/resolutions made in sufficient detail to satisfy the requirements of the direction. |

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| 8.7 | The minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director. | Complied with | The Company Secretary maintains and circulates the minutes to Board members and provides certified copies of the minutes at any time at the request of any Director of the Company. A formal procedure is in place to enable Directors to inspect the minutes. |
| 9 | Delegation of Functions by the Board | | |
| 9.1 | The Board shall approve a DA and give clear directions to the Senior Management, as to the matters that shall be approved by the Board before decisions are made by Senior Management, on behalf of the FC. | Complied with | A Board approved delegated authority is in place which segregated the duties and authorities while enabling the Board to retain effective control. |
| 9.2 | In the absence of any of the Subcommittees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such Committees shall be carried out by the Board itself. | Complied with | All the Board Subcommittees mentioned in Direction 10 are established and carried out in the Company. |
| 9.3 | The Board may establish appropriate Senior Management level Subcommittees with appropriate DA to assist in Board decisions. | Complied with | The Board has delegated its authority to the Board Subcommittees and Management Committees with clearly defined mandates, directives and authorities while ensuring such delegations would not hinder or reduce the ability of the Board to discharge its duties. |
| 9.4 | The Board shall not delegate any matters to a Board Subcommittee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions. | Complied with | The established delegation of authorities has not hindered or reduced the ability of the Board as a whole to discharge its functions. |
| 9.5 | The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company. | Complied with | The Board of Directors of the Company makes necessary reviews on delegated authority limits in order to ensure that the set limits remain relevant to the needs of the Company. |
| 10 | Board Subcommittees | | |
| 10.1 (a) | FCs with asset base of more than LKR 20 Bn. shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nominations and Governance Committee, Human Resources and Remuneration Committee, and Related Party Transactions Review Committee.<br><br>Meetings – Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually. | Complied with | The following Board Subcommittees have been appointed by the Board and each Committee is required to report to the Board,<br>i. Board Audit Committee<br>ii. Board Integrated Risk Management Committee<br>iii. Board Human Resources and Remuneration Committee<br>iv. Board Nominations and Governance Committee<br>v. Board Related Party Transactions Review Committee<br><br>In addition to the above, Board Subcommittees such as the Board Credit Committee, Board Strategy and Investments Review Committee, Board Recovery Committee and Board Procurement Committee are also formed.<br><br>Meetings of the Board Audit Committee and Board Integrated Risk Management Committee were held once in two months during the year under review. Attendance at Board Subcommittees is disclosed on page 201 under Directors' Attendance at Board and Board Subcommittees meetings. |

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| 10.1 (b) | Each Board Subcommittee shall have a written Term of Reference specifying clearly its authority and duties. | Complied with | The Board approved corporate governance framework includes the Terms and References of each Subcommittee. |
| 10.1 (c) | The Board shall present a report on the performance of duties and functions of each Board Subcommittee, at the Annual General Meeting of the Company. | Complied with | The scope, performance, duties, and functions of all Subcommittees are disclosed on pages 248 to 261 of the Annual Report. |
| 10.1 (d) | Each Subcommittee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee. | Complied with | The Company Secretary is the Secretary to the Board Nominations and Governance Committee, Human Resources and Remuneration Committee and Board Related Party Transactions Review Committee. Further, Chief Risk Officer and Head of Internal Audit function as the secretaries to the Board Integrated Risk Management Committee, and Board Audit Committee, respectively. |
| 10.1 (e) | Each Board Subcommittee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees. | Complied with | Refer to the Subcommittee reports disclosed on pages 248 to 261 of Annual Report. Profiles of the Directors are given on pages 184 to 191. |
| 10.1 (f) | The Board may consider the occasional rotation of members and of the Chairperson of Board Subcommittees to avoid undue concentration of power and promote new perspectives. | Complied with | The composition of Board Subcommittees has been reconstituted during the year under review. |
| 10.2 | Board Audit Committee (BAC) | | |
| 10.2 (a) | The Chairperson of the Committee shall be an Independent Director who possesses qualifications and experience in accountancy and/or audit. | Complied with | The Chairman of the Audit Committee, Mr Lalith is an Independent Non-Executive Director. Mr Lalith Withana is a Fellow member of CA Sri Lanka (FCA), a Fellow Member of the Chartered Institute of Management Accountants of UK (FCMA), Advance Certificate Holder of the Chartered Institute of Marketing (UK), holds a Bachelor of Arts (BA) Hons degree from University of Manchester Metropolitan (UK) and Master of Business Administration (MBA) degree from University of Sri Jayewardenepura. Profile of Mr Lalith Withana is disclosed on page 187 under directors' profiles. |
| 10.2 (b) | The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC. | Complied with | The majority of the members of the Committee consists of Independent Non-Executive Directors. |
| 10.2 (c) | The Secretary to the Board Audit Committee shall preferably be the Head of Internal Audit | Complied with | The Head of Internal Audit is the Secretary to the Board Audit Committee. |

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| 10.2 (d) | External Audit Function | | |
| | i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the Auditor. | Complied with | The Board Audit Committee has recommended, the reappointment of Messrs KPMG, Chartered Accountants as External Auditors for Audit Services. The service period, audit fees, resignation, or dismissal of an auditor, and re-engaging the audit partner were also recommended by the Board Audit Committee in line with the regulatory requirements. No resignation or dismissal of the Auditor has taken place during the year under review. |
| | ii. Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively. | Complied with | A new audit partner has been appointed on 1 October 2025 subsequent to the completion of five years of engagement of the previous audit partner.<br>The newly appointed audit partner has not been previously engaged for the audit within the last three years from the date of completion of his previous term.<br>The Company has not used the service of Messrs KPMG for more than ten years consecutively. |
| | iii. The audit partner of an FC shall not be a substantial shareholder, Director, Senior Management or employee of any FC. | Complied with | The audit partner is not a substantial shareholder, Director, Senior Management or employee of the Company. |
| | iv. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices. | Complied with | The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and effectiveness of the audit process, taking into account the applicable standards and best practices. |
| | v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the External Auditor's independence or objectivity. | Complied with | A Board approved policy on "engagement of External Auditor to provide non-audit services" is in place to ensure the best practices and to avoid actual or perceived conflict of interests.<br>The policy has precisely identified the permitted services and prohibited services, approval process and reporting requirements including non-audit fees to audit fees ratio in order to ensure the External Auditor's independence and objectivity. |
| | vi. The BAC shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including<br>i. an assessment of the Company's compliance with Directions issued under the Act and the Management's internal controls over financial reporting;<br>ii. the preparation of Financial Statements in accordance with relevant accounting principles and reporting obligations; and<br>iii. the coordination between Auditors where more than one auditor is involved. | Complied with | The Audit Committee met with External Auditors, Messrs KPMG and discussed the Audit Plan, nature and scope before the commencement of the audit. |

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| | vii. The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgements contained therein.<br>In reviewing the Company's annual report and accounts and periodical reports before submission to the Board, the Committee shall focus particularly on:<br>i. major judgemental areas;<br>ii. any changes in accounting policies and practices;<br>iii. significant adjustments arising from the audit;<br>iv. the going concern assumption; and<br>v. the compliance with relevant accounting standards and other legal requirements. | Complied with | The Board Audit Committee periodically reviews the financial information in order to monitor major judgemental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumptions and compliance with accounting standards and other legal requirements.<br>The Board Audit Committee reviews and recommends the Interim Financial Statements and Audited Financial Statements before submission thereof to the Board. |
| | viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Senior Management, if necessary. | Complied with | The Board Audit Committee has met the External Auditors twice, without the Senior Management during the year under review. |
| | ix. The BAC shall review the External Auditor's Management Letter and the Management's response thereto within three months of submission of such, and report to the Board. | Complied with | The Board Audit Committee has reviewed the Management Letter issued by the External Auditors with the responses of the Management. |
| 10.2 (e) | The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls. | Complied with | The Board Audit Committee has reviewed the effectiveness of the prevailing internal control system. |
| 10.2 (f) | The BAC shall ensure that the Senior Management is taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by Auditors and supervisory bodies with respect to the internal audit function of the Company. | Complied with | The Board Audit Committee, with the assistance of the Internal and External Auditors, reviews the effectiveness of the internal control procedures and takes corrective action where necessary. |
| 10.2 (g) | Internal Audit Function<br>i. The Committee shall establish an independent internal audit function, either in-house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the Committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes. | Complied with | An in-house independent internal audit function has been established in the Company. Additionally, a part of the branch audits has been outsourced to BDO Partners and Deloitte Sri Lanka during the year under review. |

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| | ii. The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively. | Complied with | A Board approved internal audit charter and risk-based internal audit plan are in place. The Internal Audit Department possesses adequate expertise on its scope and function and is vested with sufficient authority to carry out its activities. |
| | iii. The BAC shall take the following steps with regard to the internal audit function of the Company:<br>(i) Review the adequacy of the scope, functions, and skills and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work; | Complied with | The Board Audit Committee has reviewed the information provided in the internal audit plan and concluded that the scope, functions and resources of the Internal Audit Department are sufficient to carry out its functions. |
| | (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; | Complied with | The Board Audit Committee has reviewed and approved the internal audit plan. |
| | (iii) Assess the performance of the head and senior staff members of the Internal Audit Department; | Complied with | The Board Audit Committee evaluated the performance of the Head of Internal Audit during the year under review. |
| | (iv) Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency, and due professional care; | Complied with | The Board Audit Committee ensured the independence of the internal audit function. |
| | (v) Ensure the internal audit function carries out a periodic review of the compliance function and regulatory reporting to regulatory bodies. | Complied with | The Board Audit Committee has ensured the periodic reviews of the compliance function conducted by the internal audit. |
| | (vi) Examine the major findings of internal investigations and Management's responses thereto; | Complied with | The Board Audit Committee regularly examines the major findings of internal investigations and Management responses. |
| 10.2 (h) | The Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time-bound action plan quarterly. | Complied with | The Board Audit Committee periodically reviews the statutory examination reports of CBSL and monitors the progress of the implementation of recommendations pertaining to the concerns of such statutory examination reports. |
| 10.2 (i) | Meetings of the Meeting | | |
| | i. The Committee shall meet as specified in Direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. | Complied with | The Board Audit Committee met seven times during the financial year under review. Please refer the Director's Attendance at the Board and Board SubCommittee meetings given on pages 201 of the Annual Report. |
| | ii. Other Board members, Senior Management, or any other employee may attend meetings upon the invitation of the Committee when discussing matters under their purview. | Complied with | The MD/CEO, Deputy CEO, CFO, AGM Finance, Head of Internal Audit and other members of the Key Responsible Persons (as deemed necessary) also attend meetings by invitation. |
| | iii. BAC shall meet at least twice a year with the External Auditors without any other Directors/ Senior Management/employees being present. | Complied with | The Board Audit Committee met twice with the External Auditors without the presence of the Executive Directors and Senior Management. |

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| 10.3 | Board Integrated Risk Management Committee | | |
| 10.3 (a) | The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee. | Complied with | Currently, the BIRMC is chaired by Mr Murali Polamarasetty (Independent Non-Executive Director) and the other members of the Committee are Non-Executive Directors with experience in banking, finance, risk management, technology and compliance.<br><br>Further, the Managing Director/CEO, Deputy CEO, CRO, CFO and AGM Compliance attend meetings as regular invitees. |
| 10.3 (b) | The secretary to the Committee may preferably be the CRO. | Complied with | The CRO functions as the Secretary to the Committee. |
| 10.3 (c) | The Committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company at least once on two monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite of the Board. | Complied with | The Integrated Risk Management Committee evaluates the impact of risks such as credit, market, liquidity, operational, strategic, compliance and technology at regular meetings through risk dashboards. Further, the Committee meets once in two months and recommendations, and suggestions on the risk strategies are forwarded to the Board on a regular basis. |
| 10.3 (d) | Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risks that an FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.; | Complied with | A Board approved Risk Appetite Framework (RAF) which includes the Risk Appetite Statement (RAS) is in place. It sets the Company's risk profile and forms part of the process of development and implementation of the strategy and determination of the risks undertaken in relation to the Company's risk capacity.<br><br>The RAS sets clear boundaries and expectations by establishing quantitative limits and qualitative statements. Accordingly, it addresses the Company's material risks such as credit, credit concentration, capital, liquidity, strategy, market, operational, HR, reputational, business continuity, IT, cyber, money laundering and terrorist financing and compliance risks.<br><br>RAS is complemented by a number of specific risk metrics and it defines the trigger, appetite, tolerance and capacity to assist the Management in assessing whether outcomes are consistent with the Company's risk appetite. |
| 10.3 (e) | The BIRMC shall review the Company's risk policies including RAS, at least annually. | Complied with | The BIRMC reviewed all the risk management policies including RAF and RAS during the financial year under review. |
| 10.3 (f) | The BIRMC shall review the adequacy and effectiveness of Senior Management level committees (such as credit, market, liquidity investment, technology, and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee. | Complied with | The BIRMC evaluated the adequacy and effectiveness of the Executive Risk Management Committee, Asset and Liability Management Committee and Information Security Committee during the financial year under review. |

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| 10.3 (g) | The Committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans. | Complied with | The Committee evaluates the risk management measures including BCP and DRP at its regular meetings. |
| 10.3 (h) | BIRMC shall annually assess the performance of the compliance officer and the CRO. | Complied with | The BIRMC assessed the performance of the AGM Compliance and CRO during the financial year under review. |
| 10.3 (i) | Compliance Function | | |
| 10.3 (i) i | BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, and approved policies on the business' operations. | Complied with | A Compliance Officer (Head of Compliance) selected from Senior Management has been appointed to carry out the compliance function. Compliance Department reviews the Company's compliance with laws, regulations guidelines and rules on a regular basis and reports non-compliances, if any, to the BIRMC and Board. |
| 10.3 (i) ii | For a company with an asset base of more than LKR 20 Bn., a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The Compliance Officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be "dual hatting", i.e. the Chief Operating Officer, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer or any other Senior Management shall not serve as the Compliance Officer. | | |
| 10.3 (i) iii | For FCs with an asset base of less than LKR 20 Bn., an officer with adequate seniority considered to be Senior Management shall be appointed as Compliance Officer avoiding any conflict of interest. | Not applicable | |
| 10.3 (i) iv | The responsibilities of a Compliance Officer would broadly encompass the following: | | |
| | i. Develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; | Complied with | Policies and procedures are implemented to eliminate/minimise the breach of regulatory requirements. |
| | ii. Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; | Complied with | Compliance policies and procedures are formally communicated across all levels of the Company fostering a culture of compliance whereby each tier of the organisation is fully apprised of its obligations and acts in strict adherence thereto. |
| | iii. Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; | Complied with | The Compliance Department conducts regular compliance reviews to ensure the level of compliance with regulatory requirements as well as internal policies and procedures and standards. |
| | iv. Understand and apply all new legal and regulatory developments relevant to the business of FC; | Complied with | Implements all new legal and regulatory developments that are applicable to its business. |
| | v. Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards | Complied with | The Compliance Officer involves in the development of new products, processes and systems and ensure compliance with relevant regulatory and internal requirements. |

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| | (vi) Highlight serious or persistent compliance problems and where appropriate, work with the Management to ensure that they are rectified within an acceptable time frame, and | Complied with | The Compliance Officer highlights serious compliance issues on regular basis and collaborates with the Management to rectify if deviations are observed. |
| | (vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity | Complied with | The Compliance Officer maintains a healthy relationship with regulators and ensures clear and timely reporting at all times. |
| 10.3.j | Risk Management Function | | |
| 10.3 (j) i | BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC. | Complied with | The Company has established an independent risk management function. |
| 10.3 (j) ii | For FCs with an asset base of more than LKR 20 Bn., it is expected to have a separate Risk Management Department and a dedicated CRO, considered to be Senior Management, shall carry out the risk management function and report to the BIRMC periodically. | Complied with | A separate, independent Risk Management Department has been established in the Company which is headed by CRO who is selected from Senior Management. The CRO reports to the BIRMC. |
| 10.3 (j) iii | The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfil broader responsibilities to various stakeholders. | Complied with | Risk management policies such as Integrated Risk Management Framework Policy, Risk Appetite Framework, Internal Capital Adequacy Assessment Process (ICAAP), Integrated Stress Testing Policy, Credit Risk Management Policy, Operational Risk Management Policy, Business Continuity Planning Policy, Anti-Fraud Policy, and Guideline on Credit Scoring Models have been implemented by the CRO to facilitate the strategic objective of the Company and stakeholders. |
| 10.3 (j) iv | The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:<br>(a) various potential risks and frauds<br>(b) possible sources of such risks and frauds;<br>(c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing.<br>(d) effective measures to control and mitigate risks at prudent levels; and relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. | Complied with | A Board approved Integrated Risk Management Framework Policy is in place which satisfies the requirements. |
| 10.3 (j) v | The Chief Risk Officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management. | Complied with | The CRO is a member of all Management level Committees and participates in key decision-making processes including capital planning, liquidity planning, and new product/process developments. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 10.3 (j) vi | The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis. | Complied with | The Company conducts a comprehensive Risk and Control Self-assessment (RCSA) which addresses this requirement and the outcome of the same is reported to BIRMC meetings on a quarterly basis. |
| 10.3 (j) vii | The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions. | Complied with | On the instructions of BIRMC, the CRO submits risk assessment reports for the upcoming Board meeting. |
| 10.4 | Nominations and Governance Committee | | |
| 10.4 (a) | The Committee shall be constituted of Non-Executive Directors and preferably the majority may be Independent Directors. An Independent Director shall chair the Committee. The CEO may be present at meetings by invitation of the Committee. | Complied with | The Committee has been chaired by an Independent Non-Executive Director throughout the year. |
| 10.4 (b) | Secretary to the Nominations and Governance Committee may preferably be the Company Secretary. | Complied with | The Company Secretary functions as the Secretary of the Board Nominations and Governance Committee. |
| 10.4 (c) | The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Senior Management. Senior Management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance Officer. | Complied with | The Board approved governance framework includes a formal and transparent procedure to select/appoint new Directors and Senior Management. |
| 10.4 (d) | The Committee shall ensure that Directors and Senior Management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons). | Complied with | The evaluation of the fitness and propriety of the Board of Directors is performed on an annual basis. The fitness and propriety of the Senior Management is also evaluated at the point of appointment, promotion, renewal of contracts or on lateral moves.<br><br>The process of reviewing the fit and propriety of all Key Responsible Persons comes under the purview of the Committee. |
| 10.4 (e) | The selection process shall include reviewing whether the proposed Directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities. | Complied with | Selection and recommendation of Directors take place in accordance with the set-out criteria stipulated by the Finance Business Act Directions No. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons. |
| 10.4 (f) | The Committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole. | Complied with | The Committee ensures that the composition of the Board is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company. |
| 10.4 (g) | The Committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and Senior Management. | Complied with | The Board Nominations and Governance Committee ensures the qualifications, experience, and key attributes required for eligibility for the posts of CEO and Senior Management. |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 10.4 (h) | Upon the appointment of a new Director to the Board, the Committee shall assign the responsibility to the Company Secretary to disclose to shareholders:<br>(i) a brief résumé of the Director;<br>(ii) the nature of the expertise in relevant functional areas;<br>(iii) the names of companies in which the Director holds directorships or memberships in Board Committees; and<br>(iv) whether such Director can be considered as independent. | Complied with | Details of new Directors are disclosed to shareholders when appointed, with immediate notification to the Colombo Stock Exchange along with a brief resume of such Director.<br>Further, prior approvals for such appointments are obtained from the Central Bank of Sri Lanka in terms of regulations applicable to Licensed Finance Companies. |
| 10.4 (i) | The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the Director concerned towards the discharge of the Board's overall responsibilities. | Complied with | The Committee recommends the re-election of current Directors based on the combined knowledge, Directors' performance towards the Company's strategic demands and contribution made by the Directors in discharging the overall responsibility of the Board. |
| 10.4 (j) | The Committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Senior Management. | Complied with | The Committee ensures that a Board approved succession plan for Directors including MD/CEO and Senior Management is in place. |
| 10.4 (k) | A member of the Nominations and Governance Committee shall not participate in decision-making relating to their own appointment/reappointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor. | Complied with | The members of the Board Nominations and Governance Committee do not participate in the decision-making process regarding their own appointment or reappointment. Additionally, the Board Chairperson refrains from attending meetings when discussions are held concerning the appointment of his successor. These measures ensure transparency and avoid any potential conflicts of interest in the appointment and succession planning processes. |
| 10.5 | Human Resources and Remuneration Committee | | |
| 10.5 (a) | The Committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors. | Complied with | The Committee was chaired by Mr Hasitha Wijesunadara, Independent Non-Executive Director until his retirement 26 September 2025 and Mr Lalith Withana, Independent Non-Executive Director was appointed as the Chairperson with effect from 27 September 2025. Majority of the Committee comprised Independent Non-Executive Directors. |
| 10.5 (b) | The Secretary to Human Resources and Remuneration Committee may preferably be the Company Secretary. | Complied with | The Company Secretary functions as the Secretary to the Committee. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 10.5 (c) | The Committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and Senior Management of the FC and fees and allowances structure for Non-Executive Directors. | Complied with | A Board approved remuneration policy is in place that determines the salaries, allowances, and other financial payments relating to the Managing Director/ CEO and Senior Management of the Company.<br>The fees and allowances structure for Non-Executive Directors is decided by the Board of Directors as a whole. |
| 10.5 (d) | There shall be a formal and transparent procedure in developing the remuneration policy. | Complied with | A Board approved remuneration policy is in place which ensures achieving fair and equitable benefits in a transparent manner. |
| 10.5 (e) | The Committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made. | Complied with | The Committee periodically reviews and recommends the Remuneration Policy for the approval of the Board on paying salaries, allowances and other financial incentives for employees of the Company. |
| 10.5 (f) | The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take an excessive risk or to act in self-interest. | Complied with | The remuneration structure is in line with the business strategy of the Company's objectives, values, and long-term interests while ensuring measures to prevent conflicts of interest. |
| 10.5 (g) | The Committee shall review the performance of the Senior Management (excluding Head of Internal Audit, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives. | Complied with | The Committee annually reviews the performance of the senior management (except for Head of Internal Audit, AGM Compliance and Chief Risk Officer) against the set key performance indicators which have been approved by the Board. Based on such evaluation outcomes, the Committee determines the basis for revising remuneration, benefits, and other payments of performance-based incentives. |
| 10.5 (h) | The Committee shall ensure that the Senior Management shall abstain from attending Committee meetings when matters relating to them are being discussed. | Complied with | The Senior Management abstains from attending the Committee meetings when matters are being discussed relating to such personnel. |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 11 | Internal Controls | | |
| 11.1 | FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks. | Complied with | An effective internal control system has been implemented, encompassing a Board approved organisational structure, segregation of duties, transparent reporting lines for management, and operational procedures and policies in all necessary areas of the Company. This comprehensive system is designed to minimise operational risks. |
| 11.2 | A proper internal control system shall:<br>(a) promote effective and efficient operations;<br>(b) provide reliable financial information;<br>(c) safeguard assets;<br>(d) minimise the operating risk of losses from irregularities, fraud, and errors;<br>(e) ensure effective risk management systems; and<br>(f) ensure compliance with relevant laws, regulations, directions, and internal policies. | Complied with | The Board has implemented a comprehensive internal control system that aims to facilitate effective and efficient operations, ensure the reliability of financial information, protect the Company's assets, minimise operational risks, establish an effective risk management system, and ensure compliance with laws, regulations, directives, and internal policies and procedures.<br><br>The Board has taken measures to ensure the effectiveness and adherence to the internal control mechanism through various processes, as mentioned in the Director's Statement on Internal Control on pages 305 to 306 of the Annual Report. Additionally, the External Auditor has provided an independent assurance of the Directors' Statement on Internal Control over Financial Reporting on pages 307 to 308 in the Annual Report. |
| 11.3 | All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives. | Complied with | The Company has implemented policies and procedures that make all employees accountable and responsible for internal controls as part of their regular duties. The Board oversees adherence to the internal controls established by the Board through the Internal Audit Department ensuring continuous monitoring of compliance. |
| 12 | Related Party Transactions | | |
| 12.1 | The Board shall establish a policy and procedures for related party transactions, which covers the following. | Complied with | The Board approved Related Party Transactions Policy is in place to ensure the monitoring and reviewing of related party transactions. |
| 12.1 (a) | All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors. | Complied with | The Committee comprised Non-Executive Directors and the Chairperson is an independent Non-Executive Director. |
| 12.1 (b) | All related party transactions shall be prior reviewed and recommended by the RPTRC. | Complied with | All related party transactions are reviewed and recommended by the Committee. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 12.1 (c) | The business transactions with a related party that is covered in this Direction shall be the following:<br>i. Granting accommodation;<br>ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable;<br>iii. Providing financial or non-financial services to the FC or obtaining those services from the FC.<br>iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential information not available in the public domain or otherwise sensitive information that may give benefits to such related party. | Complied with | A Board approved Related Party Transactions Policy is in place which covers these types of transactions that would be carried out by the Company. |
| 12.2 | The Committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.<br>(a) Directors and Senior Management.<br>(b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC.<br>(c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa<br>(d) Directors and Senior Management of legal persons in paragraph (b) or (c).<br>(e) Relatives of a natural person described in paragraph (a), (b) or (d).<br>(f) Any concern in which any of the FC's Directors, Senior Management or a relative of any of the FC's Director or Senior Management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest. | Complied with | The Related Party Transactions Policy and the Board Related Party Transactions Review Committee's (BRPTRC) Terms of Reference are in place to identify the various types of related parties and ensure taking the required steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties.<br>A list of natural persons and institutions/legal persons who are being identified as related parties, is reviewed by the RPTRC on a quarterly basis.<br>Transactions carried out with related parties in the ordinary course of business are disclosed in the Financial Statements on "Related Party Transactions" under Note 44 on pages 384 to 390 of the Annual Report. |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 12.3 | The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favourable treatment" shall mean:<br>(a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FC's regulatory capital, as determined by the Committee.<br>(b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;<br>(c) Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties;<br>(d) Providing or obtaining services to or from a related party without a proper evaluation procedure;<br>(e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to sharing proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. | Complied with | The Board approved Related Party Transaction Policy outlines the procedure to prevent the Company from engaging in transactions with related parties in a manner that would provide them with "more favourable treatment", as defined in the direction. The policy also ensures that transactions with related parties are conducted in a fair and transparent manner, without granting any undue advantages or preferential treatment. |
| 13 | Group Governance | | |
| 13.1 | Responsibilities of the FC as a holding company. | | Not applicable. |
| 13.2 | If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities. | Complied with | HNB Finance PLC is a subsidiary of Hatton National Bank PLC. Hatton National Bank PLC owns 42.16% of the stake of the Company (owns 51% of the voting shares of the Company). |
| 14 | Corporate Culture | | |
| 14.1 | A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers. | Complied with | A Board approved Code of Conduct and Ethics is in place applicable to all the employees of the Company covering the aspects of conflict of interest, Bribery and corruption, accurate accounting and record keeping, confidentiality, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviours, etc. |
| 14.2 | The FC shall maintain records of breaches of the Code of Conduct and address such breaches in a manner that upholds high standards of integrity. | Complied with | The Company maintains records of breaches of the Company's Code of Conduct and Ethics and addresses such breaches in a manner that upholds high standards of integrity. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 14.3 | A FC shall establish a Whistle-blowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically. | Complied with | A Board approved Whistle-blowing Policy is in place which encourages all stakeholders, specially the employees of the Company, to raise genuine concerns about possible improprieties, financial malpractices and frauds in the conduct of our business at the earliest opportunity. |
| 15 | Conflict of Interest | | |
| 15.1 (a) | Relationships between the Directors shall not exercise undue influence or coercion. A Director shall abstain from voting on any Board resolution in relation to a matter in which such Director or any of the relatives or a concern in which such Director has a substantial interest, is interested, and such Director shall not be counted in the quorum for the relevant agenda item in the Board meeting. | Complied with | The Directors make declarations of their interests at the point of appointment and quarterly to the Related party transactions Committee.<br>The Directors refrain from voting on any resolution in which they have related party interests. Moreover, they are not considered as part of the quorum for the specific agenda item at the Board meeting, ensuring impartiality and preventing any potential bias or conflict of interest in the decision-making process. |
| 15.1 (b) | The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall;<br>i. Identify circumstances that constitute or may give rise to conflicts of interests.<br>ii. Express the responsibility of Directors and Senior Management to avoid, to the extent possible, activities that could create conflicts of interest<br>iii. Define the process for Directors and Senior Management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.<br>iv. Implement a rigorous review and approval process for Directors and Senior Management to follow before they engage in certain activities that could create conflicts of interest.<br>v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and<br>vi. Articulate how any non-compliance with the policy is to be addressed | Complied with | The Board approved Governance Framework includes the Conflict of Interest Policy which covers the stipulated requirements of this directions and best practices. |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| 16 | **Disclosures** | | |
| 16.1 | The Board shall ensure that: (a) annual audited Financial Statements and periodical Financial Statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such Statements are published in the newspapers in Sinhala, Tamil, and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC. | Complied with | The audited Financial Statements and periodical Financial Statements were prepared in accordance with the formats prescribed by regulatory and supervisory authorities and applicable accounting standards and have been published in an abridged form in Sinhala, Tamil, and English newspapers. |
| | i. Financial Statements – In addition to the set of Financial Statements as per LKAS 1 or applicable standard annual report shall include,<br>• 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.<br>• A statement of the responsibility of the Board in preparation and presentation of Financial Statements. | Complied with | Compliance with applicable accounting standards and regulatory requirements has been reported under the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304 and Statement of Directors' Responsibility for Financial Reporting on pages 309 to 310. |
| | ii. Chairperson, CEO, and Board-related disclosures<br>• Name, qualification, and a brief profile.<br>• Whether Executive, Non-Executive, and/or Independent Director.<br>• Details of the Director who is serving as the Senior Director, if any.<br>• The nature of expertise in relevant functional areas.<br>• Relatives and/or any business transaction relationships with other Directors of the Company.<br>• Names of other companies in which the Director/CEO concerned serves as a Director and whether in an Executive or Non-Executive capacity.<br>• Number/percentage of Board meetings of the FC attended during the year; and<br>• Names of Board Committees in which the Director serves as the Chairperson or a member. | Complied with | Profiles of the Board of Directors' are given on pages 184 to 191.<br><br>Attendance of Board meetings and Subcommittee meetings is disclosed on page 201. |
| | iii. Appraisal of Board performance<br>An overview of how the performance evaluations of the Board and its Committees have been conducted | Complied with | The Company has adopted a self-assessment scheme, wherein each Director is required to conduct an annual self-assessment evaluating the effectiveness of each Director individually as well as the collective performance of the Board as a whole and Board Subcommittees. |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| | iv. Remuneration<br>• A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of Senior Management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)<br>• The aggregate values of remuneration paid by the FC to its Directors and Senior Management. | Complied with | A statement on remuneration policy is disclosed in the Corporate Governance Report pertaining to 2025/26 FY. The aggregate value of remuneration paid to the Board of Directors and Senior management during the year under review is depicted below. |

Table 1 – Aggregate Remuneration paid to Directors

| Form of remuneration | Amount (LKR '000) |
|---|---|
| Basic Salary | 20,367 |
| Board and Subcommittee sitting fees | 18,276 |
| Fixed allowances | 2,200 |
| Variable allowances | – |
| Bonus | 4,336 |
| Reimbursed expenses | 3,600 |
| Other monetary benefits (if any) | – |
| Non-monetary benefits (converted into monetary terms) | – |
| Total remuneration paid to Directors | 48,779 |

Table 2 – Aggregate Remuneration paid to Senior Management

| Form of Remuneration | Amount (LKR '000) |
|---|---|
| Basic salary | 118,192 |
| Board and subcommittee sitting fees | – |
| Fixed allowances | 300 |
| Variable allowances | – |
| Bonus | 26,621 |
| Reimbursed expenses | 51,036 |
| Other monetary benefits (if any) | – |
| Non- monetary benefits (converted into monetary terms) | – |
| Total remuneration paid to Senior Management | 196,149 |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| | v. Related party transactions<br>• The nature of any relationship [including financial, business, family, or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.<br>• Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as percentage of the FC's core capital.<br>• The aggregate values of the transactions of the FC with its Senior Management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. | Complied with | Refer to the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304 |

Total net accommodation granted to related parties for 2025/26

| | Net accommodation granted LKR '000 | Net accommodation outstanding as of 31 March 2026 LKR '000 | Percentage of the core capital % |
|---|---|---|---|
| 1. Directors and Senior Management | 9,541 | 2,390 | 0.02 |
| 2. Shareholders who directly or indirectly hold more than 10% of the voting rights of the Company | – | – | – |
| 3. Subsidiaries, associates, affiliates, holding company, ultimate parent company and any other party that Company exerts control over or vice versa | – | – | – |
| 4. Directors and Senior Management of legal persons above 2 and 3 | 15,989 | 15,989 | 0.18 |
| 5. Relatives of a natural person described in 1, 2, and 4 | – | – | – |
| 6. Any concern in which any of the Directors, Senior Management, or a relative of any of the Company's Director or Senior Management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest | – | – | – |

The aggregate value of transactions with Senior Management

| For the year ended | 2025/26 LKR '000 |
|---|---|
| Accommodations granted | 7,500 |
| Deposits/Investments made | 2,041 |

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| | vi. Board appointed committees<br>• The details of the Chairperson and members of the Board Committees and attendance at such meetings | Complied with | Refer to the Board Subcommittee Reports on pages 248 to 261 of the Annual Report. |
| | vii. Group structure<br>• The group structure of the FC within which it operates.<br>• The group governance framework | Complied with | The Group Structure of the Company is included in the Corporate Governance Report of the Annual Report on page 207. |
| | viii. Directors' Report – A report, which shall contain the following declarations by the Board.<br>• The FC has not engaged in any activity, which contravenes laws and regulations.<br>• The Directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.<br>• The FC has made all endeavours to ensure the fair treatment for all stakeholders, in particular, the depositors.<br>• The business is a going concern with supporting assumptions; and<br>• The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness | Complied with | Refer to the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304. |
| | ix. Statement of internal control<br>• A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. | | Refer to the Director's Statement on Internal Control over Financial Reporting on pages 307 to 308. |
| | • The External Auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. | | Refer to the Auditors' Assurance Report on the Directors' Statement on Internal Control on pages 305 to 306. Refer to the Directors' Statement on Internal Control over Financial Reporting on pages 307 to 308. |
| | • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. | | Refer to the Directors' Statement on Internal Control over Financial Reporting on pages 307 to 308. |
| | • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions. Given on page 308 of the Annual Report. | | |

## Statement of Compliance

| Rule reference | Corporate governance principle | Compliance status | HNBF's level of compliance |
|---|---|---|---|
| | x. Corporate Governance Report<br>• Shall disclose the manner and extent to which the Company has complied with the Corporate Governance Direction and the External Auditor's assurance statement of the compliance with the Corporate Governance Direction. | Complied with | Refer to the Corporate Governance Report from pages 196 to 247 which satisfies this requirement. |
| | xi. Code of Conduct<br>• FC's Code of Business Conduct and Ethics for Directors, Senior Management, and employees.<br>• The Chairperson shall certify that the Company has no violations of any of the provisions of this Code. | Complied with | A Board approved Code of Conduct and Ethics for Directors and for all employees are in place.<br>Refer "Chairman's Message" on pages 18 to 23 that the Company has no violations of any of the provisions of this code. |
| | xii. Management Report<br>• Industry structure and developments<br>• Opportunities and threats<br>• Risks and concerns<br>• Sustainable finance activities carried out by the Company<br>• Prospects for the future | Complied with | Refer to "Management Discussion and Analysis" on pages 81 to 174 of this Annual Report. |
| | xiii. Communication with shareholders<br>• The policy and methodology for communication with shareholders.<br>• The contact person for such communication | Complied with | A Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers.<br>The Company Secretary communicates with the shareholders through the Annual Report, Quarterly Reports, and by notices issued to the shareholders |

In terms of Corporate Governance Direction No. 05 of 2021 issued for Finance Companies issued under the Section 12 of Finance Business Act No. 42 of 2011 issued by the Central Bank of Sri Lanka, on behalf of the Board of Directors, the Company confirm that the findings of the "Factual Findings Report" dated 5 June 2026 issued by the Auditors, Messrs KPMG, Chartered Accountants to the Board of Directors pursuant to the agreed-upon procedure carried out by them in accordance with "Sri Lanka Standard on Related Services (SLSRS) 4400 (Revised)" are consistent with the matters disclosed in the above Annual Corporate Governance Report.

Compliance with Colombo Stock Exchange (CSE) Listing Rules – Section 9 on Corporate Governance as of 31 March 2026.

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.1 | Corporate Governance Rule | |
| 9.1.1<br>9.1.2<br>9.1.3 | Extent of adherence to corporate governance rules | The extent of compliance with Corporate Governance Section 9 of the CSE's Listing Rules is tabulated below. |
| 9.2 | Policies | |
| 9.2.1 | Availability of Policies<br>(a) Policy on the matters relating to the Board of Directors<br>(b) Policy on Board Committees<br>(c) Policy on Corporate Governance, Nominations and Re-election<br>(d) Policy on Remuneration<br>(e) Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities<br>(f) Policy on Risk Management and Internal Controls<br>(g) Policy on Relations with Shareholders and Investors<br>(h) Policy on Environmental, Social and Governance Sustainability<br>(i) Policy on Control and Management of Company Assets and Shareholder Investments<br>(j) Policy on Corporate Disclosures<br>(k) Policy on Whistleblowing<br>(l) Policy on Anti-Bribery and Corruption | Complied with.<br>The required list of policies is in place and such list is updated on the Company's corporate website. |
| 9.2.2 | Waivers and exemptions | At present, there are no waivers and exemptions applicable to the Company. |
| 9.2.3 | Disclosures in the Annual Report | Please refer to Section 9.2.1 |
| 9.2.4 | Requesting of policies by shareholders | Complied with.<br>The Policy on Relations with Shareholders and Investors includes the same. |

## Statement of Compliance

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.3 | Board Committees | |
| 9.3.1 | Establishment of Board Committees | The Board Nominations and Governance Committee, Human Resources and Remuneration Committee, Board Audit Committee, and Board Related Party Transactions Review Committee are in place. |
| 9.3.2 | Board composition, responsibilities, and disclosures | The composition of all Committees is in line with the revised CSE Listing Rules.<br>Each Subcommittee follows its own Terms of Reference, with a secretary responsible for arranging meetings and maintaining records under the supervision of the Chairperson.<br>The Chairperson of each Subcommittee ensures its effective functioning and periodically reports to the Board on its activities, highlighting relevant matters. The Committee Terms of Reference/Charters undergo regular review. |
| 9.3.3 | Chairperson of Board committee | The Chairperson of the Board of Directors did not serve as the Chairperson of the Nominations and Governance Committee, Remuneration Committee, Audit Committee, or the Related Party Transactions Review Committee during the year under review. |
| 9.4 | Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders | |
| 9.4.1 | Record maintenance | The Company Secretary is responsible for maintaining records of all resolutions and information pertaining to General Meetings, including the appointment of proxies, the number of votes cast in favour and against, and the number of shares for which votes were abstained. |
| 9.4.2 | Communication and relations with shareholders and investors | Complied with.<br>An established Board approved policy on Relations with Shareholders and Investors Communication is in place. |
| 9.5 | Policy on Matters Relating to the Board of Directors | |
| 9.5.1 | Availability of policy on governing matters relating to Board of Directors | The requirements are currently captured in the Board-approved corporate governance framework and the Articles of Association. |
| 9.5.2 | Disclosures in the Annual Report | Disclosures requirements are covered in the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304. |

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.6 | Chairperson and CEO | |
| 9.6.1 | Chairperson and CEO | The Chairperson, a Non-Executive Director, does not concurrently hold the position of CEO, maintaining a clear separation between the two roles within the Company's governance structure. |
| 9.6.2 | Disclosure of non-compliance | Not applicable. |
| 9.6.3 | Appointment of Senior Independent Director | Since the Chairman is not an Independent Non-Executive Director, the Board has designated Mr Hasitha Wijesundara (Independent Non-Executive Director) as the Senior Director until his retirement on 26 September 2025 and the Board designated Mr Lalith Withana, Independent Non-Executive Director as the Senior Director with effect from 26 September 2025 in terms of the Board approved Terms of Reference pertaining to Senior Director.<br><br>However, since the Chairperson and CEO are not the same person or the Chairperson and CEO are not Close Family Members nor related parties, the designation of a Senior Independent Director does not arise under the revised CSE Listing Rules. |
| 9.6.4 | Disclosure of non-compliances in the Annual Report | Not applicable. |
| 9.7 | Fitness of Directors and CEO | |
| 9.7.1<br>9.7.2 | Appointment of fit and proper persons | The Board follows a formal and transparent succession and appointment process overseen by the Nominations and Governance Committee. Candidate short-listing, based on predefined attributes and experience, is recommended to the Board for approval, ensuring alignment with strategic plans and addressing any knowledge gaps. Additionally, the candidate's directorships and commitments are evaluated to ensure adequate time for effective participation. Approval from the Director of the Non-Bank Supervision Department of the Central Bank of Sri Lanka for "fit and propriety" is obtained before appointments, duly notified to the CSE. All Directors are subject to re-election by shareholders at the first Annual General Meeting following their appointment, with future appointments also considering criteria outlined in the revised CSE Listing Rules. |
| 9.7.3 | Fit and Proper Assessment Criteria<br>(a) Honesty, integrity, and reputation<br>(b) Competence and capability<br>(c) Financial soundness | The assessment criteria outlined in the revised CSE Listing Rules have been integrated into the annual declaration of Board of Directors and the MD/CEO. |
| 9.7.4 | Annual declarations from Directors and CEO | Annual declarations confirming continuous compliance with the fit and proper assessment criteria stipulated in the revised CSE Listing Rules are obtained from Directors as of 31 March 2026. |
| 9.7.5 | Disclosures in the Annual Report | Disclosures requirements are covered in the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304. |

# Statement of Compliance

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.8 | Board Composition | |
| 9.8.1 | Board at minimum to consist of five (5) Directors | The Company has complied with the requirement. The Board of Directors of the Company consisted of eight (8) Directors to date. |
| 9.8.2 | Minimum number of Independent Directors (Minimum 2 or 1/3 of the total number, whichever is higher) | The Company has complied with the requirements. The Board of Directors of the Company consisted of three (3) Independent Directors to date. |
| 9.8.3<br>9.8.4 | Criteria for determining Independence | The Company has complied with the criteria for determining the independence of a Director.<br>The criteria for the determination of independence of Directors is set in terms of the revised CSE Listing Rules and Finance Business Act Direction No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka. |
| 9.8.5 | Declarations | The annual declaration has been obtained from the Board of Directors as of 31 March 2026. |
| 9.9 | Alternate Directors | |
| 9.9.1 | Appointment of Alternate Directors | No Alternate Directors were appointed to represent Non-Executive Directors. |
| 9.10 | Disclosures relating to Directors | |
| 9.10.1 | Policy on the maximum number of Directorships | The Board approved corporate governance framework includes a policy that sets out the maximum number of directorships a Director may hold. |
| 9.10.2 | Appointment of new Director | Nominations and Governance Committee reviews all new appointments. Market announcements upon the appointment of new Directors have been made complying with the requirements. |
| 9.10.3 | Changes to the composition | An immediate market announcement regarding any changes to the Board Subcommittees will be made in an effective manner. |
| 9.10.4 | Disclosures in the Annual Report | Refer to pages 184 to 191 for profiles of Directors.<br>Refer to pages 262 to 263 for the Terms of Reference of the Senior Independent Director.<br>Refer to the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304. |
| 9.11 | Nominations and Governance Committee | |
| 9.11.1 | Availability of Nominations and Governance Committee | Complied with. |
| 9.11.2 | Appointment and re-election of Director | The Committee follows a formal procedure for the appointment and re-election of Directors. |
| 9.11.3 | Terms of Reference | The Committee's Term of Reference is in compliance with the revised CSE Listing Rules. |
| 9.11.4. a | Composition – Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors | Complied with |
| 9.11.4. b | Composition – Independent Director shall be appointed as the Chairperson of the Committee | Complied with |

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.11.4. c | Composition – The Chairperson and the members of the Committee shall be identified in the Annual Report | Refer to the Board Nominations and Governance Committee Report on pages 253 to 255. |
| 9.11.5 | Functions | The functions and the scope have been duly documented in the Committee's ToR. |
| 9.11.6 | Disclosures in the Annual Report | Refer to the Board Nominations and Governance Committee Report on pages 253 to 255. |
| 9.12 | Remuneration Committee | |
| 9.12.1 | Definition of remuneration | A formal remuneration policy that defines the remuneration terms of cash and non-cash benefits is in place. |
| 9.12.2 | Remuneration Committee | A Human Resources and Remuneration Committee is in place. |
| 9.12.3<br>9.12.4 | Remuneration Policy – Executive Directors/ Non-Executive Directors | The existing Board approved Remuneration Policy applicable for all the employees including Executive Directors and Remuneration Policy for Non-Executive Directors have been reviewed and such reviewed policies have been approved by the Board of Directors. |
| 9.12.5 | Terms of Reference | The Committee has adopted a Terms of Reference which defines the scope, authority, and duties in compliance with the revised CSE Listing Rules. |
| 9.12.6.1<br>9.12.6.2 | Composition – Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors | Complied with.<br>Refer to the Human Resources and Remuneration Committee Report on pages 251 to 252. |
| 9.12.6.3 | Composition – Independent Director shall be appointed as the Chairperson of the Committee | An Independent Director functioned as the Chairman of the Committee throughout the year. |
| 9.12.7 | Functions | The functions and the scope have been duly documented in the Committee's ToR. Refer to the Human Resources and Remuneration Report on pages 251 to 252. |
| 9.12.8 | Disclosures in the Annual Report | Disclosure requirements are covered in the Human Resources and Remuneration Committee Report given on pages 251 to 252. |
| 9.13 | Audit Committee | |
| 9.13.1 | Audit and Risk Committees | The Company has established distinct committees dedicated to overseeing Audit and the Board Integrated Risk Management Committee oversees the risk function extensively. |
| 9.13.2 | Terms of Reference | The Committee has adopted Terms of Reference which defines the scope, authority, and duties in compliance with the revised CSE Listing Rules |
| 9.13.3.1 and 9.13.3.4 | Composition – A Minimum of three (3) Directors, out of which a minimum of two (2) or a majority of the members, whichever higher, shall be Independent Directors | Complied with.<br>Refer to the Board Audit Committee Report on pages 248 to 250. |
| 9.13.3.2 | Composition – The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance be Independent Directors | The quorum stated in the already established Audit Committee ToR is in line with the requirement stipulated. |

## Statement of Compliance

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.13.3.3 | Composition – The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets quarterly prior to recommending the financials to be released to the market | Complied with.<br>The Committee reviewed the quarterly and annual Financial Statements, recommending them to the Board of Directors before publication. |
| 9.13.3.5 | Composition – An Independent Director shall be appointed as the Chairperson of the Committee | Complied with.<br>Refer to the Board Audit Committee Report on pages 248 to 250. |
| 9.13.3.6 | Composition – The CEO and the CFO shall attend the Audit Committee meetings by invitation | Complied with.<br>Refer to the Board Audit Committee Report on pages 248 to 250. |
| | CEO shall attend the Risk Committee meetings by invitation | Complied with.<br>Refer to the Board Integrated Risk Management Committee Report on pages 256 to 258. |
| 9.13.3.7 | Composition – The Chairperson of the Audit Committee shall be a member of a recognised professional accounting body | The Chairman of the Board Audit Committee is Mr Lalith Withana and Mr Withana holds a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura, and a Bachelor of Arts (BA) Hons. Degree from the University of Manchester Metropolitan, UK. He is a Fellow Member of both the Chartered Institute of Management Accountants (FCMA), UK, and The Institute of Chartered Accountants of Sri Lanka (FCA). He is also a Project Management Professional of the Project Management Institute (PMI), USA. |
| 9.13.4 | Functions | The Company has established formal Terms of Reference for the Board Audit Committee, defining its functions.<br>The functions listed under 9.13.4.1 (vii), (viii) and (ix) are covered within the scope of the Board Integrated Risk Management Committee. Refer to the report on pages 256 to 258. |
| 9.13.5 | Disclosures in the Annual Report | Disclosure requirements are covered in the Board Audit Committee Report given on pages 248 to 250. |
| 9.14 | Related Party Transactions Review Committee | |
| 9.14.1 | Availability of Related Party Transactions Review Committee | A Related Party Transactions Review Committee is in place. |
| 9.14.2 | Composition – A minimum of three (3) Directors, out of which two (2) members shall be Independent Directors. Committee may also include Executive Directors. An Independent Director shall be appointed as the Chairperson of the Committee | Complied with.<br>Refer to the Related Party Transactions Review Committee Report on pages 259 to 261. |
| 9.14.3 | Functions | The Related Party Transactions Review Committee is tasked with reviewing all related party transactions to safeguard the interests of shareholders collectively.<br>The Committee has developed and upheld a comprehensive policy, procedure, and process for identifying, clarifying, and reporting such transactions throughout the Company's operations.<br>Refer to the Related Party Transactions Review Committee Report on pages 259 to 261. |

| Code of reference | Requirements | Extent of compliance |
|---|---|---|
| 9.14.4.1 | General requirements – The Committee shall meet at least once a calendar quarter | Complied with.<br>The Committee met four (4) times during the year under review. |
| 9.14.4.2 | General requirements – The Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions | The Committee has adequate knowledge and expertise to assess all aspects of related party transactions. |
| 9.14.4.3 | General requirements – Approval by Board of Directors | When deemed necessary, the Committee will seek approval from the Board of Directors for related party transactions that have undergone Committee review as set out in the Board approved RPT Policy and RPTRC TOR. |
| 9.14.4.4 | General requirements – Conflict of Interest | The Related Party Transactions Review Committee supervises the related transactions process. The Board has implemented measures to mitigate conflicts of interest that may arise in dealings with related parties.<br>Directors submit declarations to the Board regarding their material interests in business transactions upon appointment and quarterly thereafter. Directors abstain from participating in Board discussions involving related entity transactions where a conflict of interest may arise. |
| 9.14.5 | Review of related party transactions by the Related Party Transactions Review Committee | The Committee takes into account the provision of the said Listing Rules when reviewing related party transactions. |
| 9.14.6 | Shareholder approval | No situation necessitating shareholder approval as per the revised CSE Listing Rules has arisen during the year. |
| 9.14.7 | Immediate disclosures | No situation requiring immediate disclosure as per the revised CSE Listing Rules has arisen. |
| 9.14.8 | Disclosures in the Annual Report | Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on pages 259 to 261. |
| 9.14.9 | Acquisition and disposal of assets from/to related parties | The Company has not acquired or disposed of substantial assets from or to related parties. |
| 9.14.10 | Exempted related party transactions | The Committee considers the provisions of the relevant sections when evaluating related party transactions. |
| 9.16 | Additional Disclosures | |
| 9.16 | (i) Declaration of all material interest<br>(ii) Review of internal controls and compliance controls | Disclosures requirements are covered in the Annual Report of the Board of Directors on the Affairs of the Company on pages 293 to 304. |
| | (iii) Compliance with laws, rules, and regulations<br>(iv) Material non-compliance | There have been no instances of material non-compliance with any laws or regulations during the year under review. |

# Board Audit Committee Report



MR LALITH WITHANA

Chairman – Board Audit Committee

The Board Audit Committee ("BAC" or "the Committee") is a Subcommittee of the Board of Directors comprising exclusively of Non-Executive Directors. During the year, the Committee has continued to review and report to the Board on the Company's financial reporting, internal control and risk management processes, and the performance, independence, and effectiveness of External Auditors.

## Composition of the Committee

The Board Audit Committee comprised three (03) Non-Executive Directors, appointed by the Board of Directors. As of 31 March 2026, the following Directors served on the Committee.

- Mr Lalith Withana – Chairman/ Senior Independent Non-Executive Director appointed w.e.f. 31 January 2023.
- Mr Anura Pathirage – Non-Independent Non-Executive Director appointed as a member of the Committee w.e.f. 13 September 2024.
- Mr Murali Polamarasetty – Independent Non-Executive Director appointed as a member of the Committee w.e.f. 27 September 2025.

Mr Hasitha Wijesundara – Independent Non-Executive Director – served as the member of the Committee since 13 September 2024 and he ceased to be a member of the Committee w.e.f. 27 September 2025. We take this opportunity to place on record the Committee's appreciation for the valuable services rendered by Mr Hasitha Wijesundara a member of the Committee.

A brief summary of the Directors is given on pages 184 to 191 in this report.

## Regular attendees by invitation

The Managing Director/Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Chief Risk Officer and AGM – Finance are regular invitees to the Committee as at the reporting date. The Chairman of the BIRMC, who also serves as a member of the BAC, attends meetings. The Engagement Partner of Messrs KPMG (External Auditor) also attends meetings by invitation.

## Meetings

The Committee met eight times during the year under review to discharge the duties assigned. The attendance of the members at the Committee meetings was as follows:

| Member | Number of meetings |
|---|---|
| Mr Lalith Withana | 8/8 |
| Mr Hasitha Wijesundara | 4/4 |
| Mr Anura Pathirage | 8/8 |
| Mr Murali Polamarasetty | 4/4 |

## Terms of reference

The Committee assists the Board in fulfilling its duties by overseeing the Company's financial reporting, internal audit, internal controls, and external audit processes. The Board approved Terms of Reference (TOR) of the Board Audit Committee and it had clearly defined the scope and responsibility of the Committee including purpose, composition, duties, and investigative powers. The Board periodically reviews the TOR of the Committee.

## Authority

The Committee is empowered to;

- Investigate any matter within its Terms of Reference.
- Seek any information it requires from the Management and staff (all of whom are directed to cooperate with the Committee's requests) or external parties.
- Meet with the Management and staff, External and Internal Auditors, regulators, or outside counsels as necessary.
- Obtain external professional advice and invite outsiders with relevant experience to attend, if necessary.

Activities of the Board Audit Committee during the 2025/26 are summarised as follows.

## Financial reporting

The Committee, as part of its responsibility, oversees the Company's financial reporting process on behalf of the Board of Directors. Accordingly, Committee reviewed and discussed Financial Statements with the Management prior to their release. The review included the extent of compliance with the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and any other regulations relating to financial reporting.

The Committee also reviewed the effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided, and the accounting policies to determine the most appropriate accounting policies upon considering all choices available. The Committee assessed whether the disclosures made under financial reporting are appropriate and fair.

The Committee obtained and reviewed assurance received from the Managing Director/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 Company's operations and finances. The Managing Director/Chief Executive Officer's and Chief Financial Officer's responsibility statement, detailed in page 292 of this Annual Report, confirms adherence to applicable laws, regulations, and prudential requirements.

## Risk and internal control

The Company has an internal control environment designed to protect the business from the material risks that have been identified. Management is responsible for establishing and maintaining adequate internal controls, and the Committee has responsibility for ensuring the effectiveness of these controls. The Committee assessed the effectiveness of the Company's internal controls in order to meet the requirements of the Sri Lanka Auditing Standards.

The Committee discussed Internal and External Auditors' review of risk management and internal control systems and made appropriate recommendations. The External Auditors have issued an Assurance Report on Directors' Statement on Internal Controls. The Committee has reviewed the processes for identification, recording, evaluation and management of all significant risks throughout the Company. The Committee has reviewed the progress of the ratification of supervisory concerns, stemming from the CBSL statutory examination on a regular basis.

## External audit

The Committee reviewed the services provided by the External Auditors, Messrs KPMG, to evaluate their independence and objectivity. It also reviewed, agreed, and discussed their audit plan, including their assessment on key audit matters. The Committee reviewed and approved the scope of non-audit services provided by the External Auditors, to ensure that there was no impairment to their independence. M/s KPMG served as the Company's External Auditor from the financial year 2020/21 and completed six years of continuous engagement during the year under review. In compliance with the Group's policy on the appointment and rotation of External Auditors, the Board Audit Committee recommended the appointment of M/s Ernst & Young as the Company's External Auditor for the financial year 2026/27.

The Committee determined the independence of the External Auditors, Messrs Ernst & Young as per the provisions of the Companies Act and the Code of Professional Conduct issued by The Institute of Chartered Accountants of Sri Lanka and recommended their appointment as the Auditors of the Company for the financial year ending 31 March 2027 subject to the concurrence of its recommendation by the Board and approval of such appointment by the shareholders at the forthcoming Annual General Meeting.

## 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 Defence, and the adequacy of the scope, functions and skills, and resources of the Internal Audit Department, and ensured the Internal Audit Department has the necessary authority to carry out its work.

Further the Committee reviewed the Internal Audit charter, programme and results of the internal audit process and, where necessary, ensured the appropriate actions are taken on the recommendations of the internal audit and ensured the internal audit function is independent, and activities are performed with impartiality, proficiency and due professional care, the internal audit function carries out periodic reviews of the compliance function and regulatory reporting to regulatory bodies.

The Committee examined major findings of internal investigations, recommendations, and Management's responses thereto.

## Whistleblowing

The Company's Whistle-blowing Policy serves as a mechanism to manage risks pertaining to frauds. This policy reflects its commitment to the philosophy of Good Governance, upholding the highest professional standards, business ethics and integrity in carrying out its business. It encourages all stakeholders, especially the staff of the Company, to raise genuine concerns about possible improprieties in the conduct of our business at the earliest opportunity and in an appropriate manner. If an employee wishes to raise or discuss any issue, the employee should contact verbally, by email, or by letter any of the eligible recipients.

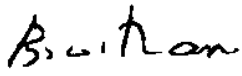
All information reported and disclosed during the course of an investigation will remain confidential and made available only on a need-to-know basis, except as necessary to conduct the investigation and to take any remedial action subject to any applicable law. The Company will not tolerate any form of detrimental conduct by any person against the Whistle-blower or any officers who are involved in an investigation of a whistle-blower report. The whistle-blowing Policy has been reviewed by the Committee and approved by the Board.

## Evaluation of the Committee

The annual self-evaluation of the effectiveness of the Committee was carried out by the members of the Committee and concluded that the Committee had carried out its responsibility in an effective and satisfactory manner. During the year, the Committee evaluated the performance of the Head of Internal Audit and Senior Managers Internal Audit. Further, the Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction No. 05 of 2021.

## Committee declaration

Based on its review of the reports of the Internal and External Auditors, and the information and assurances provided by Management, the Board Audit Committee is satisfied that adequate and effective internal controls are in place to provide reasonable assurance on the safeguarding of assets and the integrity of the Company's operations; the Committee further affirms that the Company's financial position is subject to regular and rigorous oversight, and that continuous measures are being undertaken to strengthen and enhance the control environment in line with evolving regulatory and governance expectations.



Lalith Withana

Chairman – Board Audit Committee

5 June 2026
Colombo, Sri Lanka

# Board Human Resources and Remuneration Committee Report



Ramanika Unamboowe

Chairperson – Board Human Resources and Remuneration Committee

## Chairperson's statement

On behalf of the Board Human Resources and Remuneration Committee ("BHRRC" or "the Committee"), I am pleased to present this Report for the financial year ended 31 March 2026.

During the year under review, the Committee continued to play a key role in supporting the Board by ensuring the Company maintains robust human capital and remuneration framework aligned with its strategic objectives. The Committee focused on strengthening remuneration governance, enhancing employee capability development, and fostering a performance-driven culture to support sustainable growth.

In discharging its responsibilities, the Committee ensured compliance with the Finance Business Act (Corporate Governance) Directions No. 05 of 2021 and the Listing Rules on the Corporate Governance of the Colombo Stock Exchange, while aligning its practices with evolving best standards in human capital management and remuneration governance.

## Composition of the Committee

The Committee comprises Non-Executive Directors appointed by the Board, with a majority being Independent Non-Executive Directors, including the Chairman, thereby ensuring independence and objectivity in its deliberations.

## Membership

As at 31 March 2026, the following Directors served on the Committee:

- Ms Ramanika Unamboowe – Independent, Non-Executive Director/ Chairperson of the Committee appointed w.e.f. 2 July 2025
- Mr Rajive Dissanayake – Non-Independent, Non-Executive Director appointed w.e.f. 8 January 2024
- Mr Lalith Withana – Independent, Non-Executive Director appointed as a member of the Committee w.e.f. 13 March 2025 and ceased to serve as a member on 2 July 2025. He was subsequently reappointed to the Committee w.e.f. 27 September 2025.

## Changes in composition

Mr Hasitha Wijesundara, Independent Non-Executive Director, served as a member of the Committee until his retirement from the Board with effect from 27 September 2025. He served as Chairman of the Committee until 1 July 2025, following which Ms Ramanika Unamboowe assumed the role of Chairperson.

The Committee places on record its sincere appreciation for the valuable contributions and distinguished leadership provided by Mr Wijesundara during his tenure as Chairman and member of the Committee. Brief profiles of the members of the Committee are given on pages 186 to 191 of this Annual Report.

## Invitees and right to obtain independent professional advice

The Managing Director/Chief Executive Officer, Deputy Chief Executive Officer, and the Chief Human Resources Officer attend meetings by invitation, while other Key Responsible Persons are invited as required. The Committee is authorised to obtain independent professional advice, including legal expertise, at the Company's expense.

## Secretary

The Company Secretary serves as Secretary to the Committee, ensuring effective coordination, proper documentation, and adherence to governance requirements.

## Summary of terms of reference (ToR)

The Committee operates under a Board approved Terms of Reference (ToR), which is periodically reviewed to ensure alignment with applicable statutory and regulatory requirements, and governance best practices. The ToR defines the Committee's authority, responsibilities, and quorum, and ensures compliance with the Finance Business Act (Corporate Governance) Directions No. 05 of 2021 and Section 9 of the Listing Rules of the Colombo Stock Exchange. The Committee meets at least twice annually, with its proceedings duly reported to the Board.

## Responsibilities and activities in FY 2025/26

The Committee supports the Board in establishing a sound human capital and remuneration framework aligned with the Company's strategic objectives.

### Remuneration Governance

The Committee reviewed and recommended remuneration policies applicable to Non-Executive Directors and employees, ensuring alignment with the CBSL Guidelines on Remuneration Policies and Disclosure Requirements issued under the Finance Business Act (Corporate Governance) Directions. These policies are designed to attract, motivate, and retain individuals with the requisite expertise, while maintaining an appropriate balance of skills and experience at Board level.

The Committee provides strategic oversight of Human Resource policies, remuneration structures, and incentive frameworks for Senior Management based on recommendations from the MD/CEO. It determines remuneration outcomes, including annual increments

and performance-based incentives, aligned with the Company's strategic objectives, market benchmarks, and prudent risk management principles.

During the year, the Committee also recommended the performance-based bonus scheme for Senior Management and above grades for FY 2025/26 and reviewed and recommended the remuneration of Non-Executive Directors to the Board, ensuring competitiveness to attract and retain individuals with the required skills and expertise.

### Performance management

The Committee reviewed and recommended annual performance goals and targets for the MD/CEO and Key Responsible Personnel (KRPs), and assessed performance (excluding Chief Risk Officer, Head of Audit, and Head of Compliance) against approved benchmarks to support objective and consistent performance evaluation.

### Policy review and governance

The Committee reviewed and recommended revisions to the Terms of Reference to ensure continued regulatory compliance. It also reviewed and recommended amendments to the Company's Consolidated HR Policy, strengthening governance and consistency across human resource practices.

In compliance with the requirements of the Colombo Stock Exchange, a disclosure on the availability of the Company's remuneration policies is published on its official website.

### Human capital development and organisational effectiveness

The Committee reviewed Human Resource Policies, salary structures, and incentive schemes to support overall organisational effectiveness. It provided strategic oversight of initiatives aimed at enhancing workforce skills and organisational capabilities, taking into account evolving market dynamics and emerging regulatory, technological, and industry developments.

The Committee also reviewed the organisational structure to ensure alignment with the Company's strategic direction and evolving business needs and approved the Annual Training Calendar with a focus on leadership development and capacity building.

In addition, the Committee considered independent exit interview findings of Senior Management and above grades to identify underlying causes of employee attrition and support the implementation of appropriate retention strategies.

## Training and development

The Committee supported initiatives aimed at enhancing employee competencies through structured induction programmes for new recruits and continuous professional development initiatives conducted by recognised institutions, including the Central Bank of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

In addition, the Company continued to invest in leadership development through structured coaching programs for Senior Management, thereby fostering a performance driven culture and strengthening long term organisational resilience.

## Employment and human capital management

The Company remains committed to developing a skilled, diverse, and agile workforce capable of responding to evolving business needs. Ongoing investments in training, capability development, and employee engagement continue to strengthen the Company's human capital base. A detailed analysis of workforce composition is provided in the Human Management Discussion and Analysis on page 122 to 143 this Annual Report.

## Committee effectiveness

A self evaluation of the Committee was conducted during the year, and the results were reviewed and submitted to the Board to support continuous improvement in effectiveness and governance practices.

## Aggregate remuneration disclosure

A detailed break-down of remuneration paid to Directors and Senior Management is set out on page 237 of this Annual Report.

## Meetings of the Committee

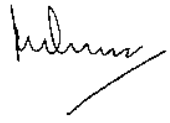
Details of attendance at Committee meetings are provided on page 201 of this Annual Report.

## Reporting to the Board

The Committee reports regularly to the Board on its deliberations, recommendations, and key decisions, thereby ensuring transparency and effective oversight.

## Declaration by the Committee

The Committee confirms full compliance with the requirements of the Finance Business Act (Corporate Governance) Directions No. 05 of 2021 and the Listing Rules on Corporate Governance of the Colombo Stock Exchange and remains committed to upholding all applicable regulatory requirements.



Ramanika Unamboowe

Chairperson – Board Human Resources and Remuneration Committee

5 June 2026
Colombo, Sri Lanka

# Board Nominations and Governance Committee Report



Lalith Withana
Chairman – Board Nominations and Governance Committee/Senior Director

## Chairman's statement

On behalf of the Board Nominations and Governance Committee ("BN&GC" or "the Committee"), I am pleased to present this Report for the financial year ended 31 March 2026.

During the year under review, the Committee continued to play a pivotal role in strengthening the Company's governance framework by ensuring that the Board remains effective, independent, diverse, and aligned with the Company's strategic direction. The Committee focused on enhancing Board composition, succession planning, and governance practices through a structured and merit-based approach, thereby supporting long-term value creation and institutional resilience.

In fulfilling its responsibilities, the Committee ensured alignment with the Finance Business Act (Corporate Governance) Directions No. 05 of 2021, the Finance Business Act Directions No. 06 of 2021 on the Assessment of Fitness and Propriety of Key Responsible Persons, Corporate Governance 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, thereby upholding high standards of governance and regulatory compliance.

## Composition of the Committee

The Committee comprises five (5) Non-Executive Directors appointed by the Board, with a majority being Independent Non-Executive Directors, including the Chairman, thereby ensuring independence and objectivity in its deliberations.

### Membership

As at 31 March 2026, the following Directors served on the Committee:

- Lalith Withana – Senior Director/ Chairman – BN&GC/Independent Non Executive Director (appointed to the Committee w.e.f. 13 March 2025; appointed as Chairman w.e.f. 8 January 2026)
- Rajive Dissanayake – Non-Independent Non-Executive Director – appointed w.e.f. 8 January 2024
- Mr B Premalal – Non-Independent Non-Executive Director – appointed w.e.f. 31 January 2023
- Mr Murali Polamarasetty – Independent Non-Executive Director – appointed w.e.f. 27 September 2025
- Ms Ramanika Unamboowe – Independent Non-Executive Director – appointed w.e.f. 2 July 2025

### Changes in chairmanship

Mr Hasitha Wijesundara, Independent Non-Executive Director, served as Chairperson of the Committee until his retirement from the Board with effect from 27 September 2025. Ms Ramanika Unamboowe, Independent Non-Executive Director, who succeeded him, served as Chairperson until 7 January 2026. The Committee places on record its appreciation of the valuable contribution and leadership provided by both former Chairpersons during their respective terms. Brief profiles of the members of the Committee are given on pages 186 to 191 of this Annual Report.

## Invitees and right to obtain independent professional advice

The Managing Director/Chief Executive Officer and the Deputy Chief Executive Officer participate in Committee meetings by invitation. while other Directors, Key Responsible Persons (KRPs), and officers to contribute to deliberations, as deemed appropriate by the Committee.

The Committee is also authorised to obtain independent professional advice, including legal expertise, at the Company's expense.

## Secretary

The Company Secretary serves as Secretary to the Committee, ensuring effective coordination, proper documentation, and adherence to governance processes.

## Summary of terms of reference (ToR) of the board nominations and governance committee

The Committee operates under a Board approved Terms of Reference (ToR), which is reviewed periodically to ensure alignment with applicable statutory requirements, regulatory directions, and governance best practices, and meets at least twice annually.

The ToR further mandates a structured and systematic process for evaluating the performance and effectiveness of the Board, Subcommittees, and individual Directors, in line with the requirements of the Finance Business Act (Corporate Governance) Directions No. 05 of 2021 and the Corporate Governance Rules of the Colombo Stock Exchange.

## Board Nominations and Governance Committee – responsibilities and activities in FY 2025/26

The BN&GC plays a pivotal role in supporting the Board in maintaining a high performing, diverse, and future ready leadership structure, anchored on robust corporate governance principles. In discharging its mandate, the Committee exercises independent judgement and provides well-considered recommendations to the Board on matters pertaining to Board effectiveness, leadership continuity, and the strengthening of governance practices.

### Board and subcommittee composition

The Committee undertook a comprehensive review of the structure and composition of the Board and its SubCommittees to ensure continued effectiveness, independence, and alignment with the Company's strategic priorities. Skill gaps were identified and appropriate recommendations were made to strengthen overall Board capability.

SubCommittee compositions were also reviewed and reconstituted where necessary, with all changes to statutory Committees duly disclosed to the Colombo Stock Exchange.

In line with governance best practice, the Committee recommended the appointment of a female Director with expertise in Human Resources and Corporate Banking, thereby strengthening Board diversity and broadening strategic insight. Upon obtaining approval from the Central Bank of Sri Lanka, the Company Secretary made the required announcements to the Colombo Stock Exchange, including details of the Director's profile, directorships, and independence.

### Annual assessment of fitness and propriety

During the year under review, the Committee conducted the annual assessment of the fitness and propriety of the Directors, including the Managing Director/Chief Executive Officer, in compliance with the Finance Business Act Direction No. 06 of 2021 and Rule 9.7.3 of the CSE Listing Rules.

Based on the review of declarations, affidavits, and supporting documentation, no instances of non-compliance were identified. Accordingly, the Committee recommended to the Board that the Directors and the Managing Director/Chief Executive Officer continue to meet the required criteria and recommended the submission of the requisite affidavits to the Central Bank of Sri Lanka.

Further, Directors experience, skills, other directorships are provided in Board of Directors in page No 186 to 191 in this Annual Report

### Retirement by rotation and re-election of directors

The Committee oversees the retirement and re-election of Directors in accordance with the Articles of Association of the Company, the Finance Business Act, the Finance Leasing Act, and the CSE Listing Rules, ensuring continuity, independence, and an optimal Board composition. In terms of Article 27 of the Articles of Association, Directors are subject to retirement by rotation every three (03) years, except Nominee Directors, and are recommended for continuation based on performance, independence, and regulatory compliance.

During the year under review, Ms Ramanika Unamboowe, appointed on 4 June 2025 in terms of Article 26, will seek formal appointment and re-election at the forthcoming AGM. No other Director is due for retirement or re-election.

In compliance with Rule 9.11.6 of the CSE Corporate Governance Rules, the requisite details of the Director proposed for re-election are set out below:

| Name of the director | Board subcommittee memberships | First appointment As a director | Date of last Re-election as a director | Directorships in Other entities | Material relationships* |
|---|---|---|---|---|---|
| Ms Ramanika Unamboowe | Chairperson – Board Human Resources and Remuneration Committee, and Board Credit Committee, Member – Board Nominations and Governance Committee (served as Chairperson from 27 September 2025 to 8 January 2026); Board Strategic and Investment Review Committee, and Board Recovery Committee | 4 June 2025 (appointed to fill a casual vacancy) | To be formally appoint at the AGM on 30 June 2026 | None | None |

** The Director proposed for formal appointment has confirmed that she has no business or close family relationships with the Board of Directors, the Company, or any shareholder holding more than 10% of the voting shares, in compliance with the Listing Rules of the CSE.*

Directors concerned abstained from participating in deliberations relating to their re-election, reappointment, and formal appointment.

Further Skills, experience and other directorships of the Director subject to the rotation are provided in the Board of Directors on pages 186 to 191 of this Annual Report.

### Succession planning

The Committee continued to prioritise succession planning to ensure leadership continuity and long-term value creation, covering the Managing Director/Chief Executive Officer, Directors, and Key Responsible Persons in line with applicable regulatory requirements.

During the year under review, the Committee recommended a structured succession plan for Senior Management to the Board, strengthening the leadership pipeline and organisational resilience for approval of the Board.

A formal succession framework for Non-Executive Directors is also in place, in compliance with the CSE Listing Rules, supporting orderly Board renewal .

### Appointment and promotion of Key Responsible Personnel

The Committee has established a formal and transparent process for the appointment of Key Responsible Persons (KRPs), based on recommendations of the Managing Director/Chief Executive Officer, excluding the Chief Internal Auditor, Chief Recovery Officer, and Head of Compliance.

During the year under review, the Committee supported key leadership enhancements, including the promotion of the Head of Compliance and appointment of Acting CISO following a joint evaluation with the Board Integrated Risk Management Committee and the appointment of a new Head of Credit with significant industry experience. All appointments were assessed against fitness and propriety requirements, recommended to the Board, and submitted for regulatory approval.

### Review of ToR

In accordance with its Terms of Reference, the Committee reviewed and recommended enhancements to the corporate governance framework of the Company, ensuring continued alignment with the Finance Business Act (Corporate Governance) Directions No. 05 of 2021, the corporate governance provisions of the CSE Listing Rules, and evolving industry best practices.

### Strengthening corporate governance and compliance

The Committee has established the HNBF corporate governance framework to ensure alignment with applicable regulatory requirements and best practices. During the year under review, the Committee reviewed corporate governance reports submitted by Management and, based on such reviews, noted no instances of non-compliance and was satisfied with the Company's level of compliance.

### Review of policies including HNBF Communication Policy Framework

## Training and development

The Committee supported the induction of newly appointed Directors and encouraged continuous professional development of Board members to enhance their effectiveness, knowledge of regulatory developments, and oversight capabilities. During the year under review, the Directors participated in training and awareness programmes conducted by the Securities and Exchange Commission of Sri Lanka and the Central Bank of Sri Lanka, enhancing their knowledge of regulatory developments and corporate governance best practices.

## Committee effectiveness

The Committee facilitated the annual evaluation of the Board, its committees, and individual Directors. The outcomes were reviewed and used to further enhance Board effectiveness and governance practices.

## Statement of independence

All Directors have submitted annual declarations of independence or non-independence in compliance with Rule 9.8.5 of the Listing Rules of the Colombo Stock Exchange and Section 3(7)(c) of the Finance Business Act (Corporate Governance) Directions No. 05 of 2021. Further, during the year under review, no circumstances were identified that warranted a shareholder announcement in terms of Rule 9.8.5 (c) of the Listing Rules.

## Meetings of the Committee

The attendance of the Directors for the Committee meetings are given on page 201 in this Annual Report.

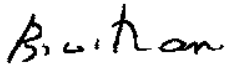
## Reporting to the Board

The Committee reports regularly to the Board on its deliberations, recommendations, and key decisions, with meeting minutes formally tabled at Board meetings to ensure transparency and effective oversight.

## Declarations by the Committee

The Committee confirms that the Company has complied with the requirements of the Finance Business Act (Corporate Governance) Directions No. 05 of 2021 and the Listing Rules on Corporate Governance of the Colombo Stock Exchange, and continues to ensure compliance with applicable regulatory requirements within the prescribed timelines.

For and on behalf of the Board
Nominations and Governance Committee,



Mr Lalith Withana

Chairman – Board Nominations and Governance Committee/Senior Independent Director

5 June 2026
Colombo, Sri Lanka

# Board Integrated Risk Management Committee Report



M S Polamarasetty
Chairman – Board Integrated Risk Management Committee

## Chairman's statement

The Board Integrated Risk Management Committee ("BIRMC" or "the Committee") of HNB Finance PLC ("HNBF") is a Board subcommittee established in terms of Section 10.3 of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, issued by the Central Bank of Sri Lanka. The Committee comprises three (03) Non-Executive Directors appointed by the Board of Directors. The composition of the Committee as at 31 March 2026 is set out below. The profiles of the members are provided on pages 184 to 191.

## Members

- Mr Murali Srinivas Polamarasetty – Chairman of the Committee, Independent Non-Executive Director
- Dr Prasad Samarasinghe – Non-Independent Non-Executive Director
- Mr Lalith Withana – Independent Non-Executive Director (Appointed as a member of the Committee w.e.f. 8 January 2026)

Mr Ruwan Manatunga served as a member of the Committee until his resignation from the Board of Directors with effect from 8 January 2026. The Committee places on record its appreciation for the valuable contributions made by Mr Manatunga during his tenure.

The Chief Risk Officer functions as the Secretary to the Board Integrated Risk Management Committee during the year under review.

## Management participants

- Managing Director/CEO
- Chief Risk Officer
- Head of Compliance
- Chief Information Security Officer

## Regular attendees by invitation

- Deputy Chief Executive Officer
- Chief Financial Officer
- Chief Information Officer
- Head of Internal Audit

## Meetings

The Committee met six times during the year under review to discharge its assigned responsibilities. In addition, one special meeting was held during the year without the participation of Management. The attendance of members at these meetings is presented in the table on page 201 of the Annual Report.

The Committee assessed and monitored the key risks faced by the Company based on risk assessment reports and dashboards presented by the Risk Management Department. The minutes of the Committee meetings, together with key risk management outputs, including Risk Dashboards, the Risk Appetite Statement, and stress testing outcomes, were submitted to the Board of Directors for information, review, and appropriate action.

## Scope and objective of the Committee

The Committee is mandated to assist the Board of Directors in discharging its oversight responsibilities relating to risk management. Its primary objective is to ensure that HNB Finance PLC maintains a robust and comprehensive risk management framework for the identification, measurement, monitoring, and control of all material risks, in alignment with its strategic objectives and regulatory requirements.

In fulfilling its mandate, the Committee regularly assesses, through appropriate risk indicators and management information, all key risk categories, including credit, market, liquidity, operational, strategic, compliance, and information technology/ cyber risks, and their potential impact on the Company's financial position, operations, and reputation.

The Committee ensures the establishment and continuous enhancement of an integrated risk management framework, supported by a Board approved Risk Appetite Framework and Risk Appetite Statement, which define the nature and extent of risks the Company is willing to assume in pursuit of its strategic objectives. This includes both quantitative parameters linked to capital, earnings, and liquidity, as well as qualitative considerations such as reputational and compliance risks.

The Committee also oversees the effectiveness of risk governance structures, including senior management committees such as the Asset and Liability Committee, Executive Risk Management Committee, and Information Security Committee, and ensures that timely and appropriate corrective actions are implemented where risk exposures exceed approved thresholds, in line with internal policies and applicable regulatory requirements.

Further, the Committee reviews and recommends risk management frameworks and policies, including the integrated risk management framework, risk appetite framework, ICAAP, and other policies relating to key risk areas, and assesses the adequacy of capital planning, stress testing practices, and the overall risk resilience of the Company.

In addition, the Committee ensures the independence and effectiveness of the risk management and compliance functions, including the functional reporting lines of the Chief Risk Officer and the Head of Compliance, and oversees their performance. The Committee also evaluates the adequacy of the technology infrastructure supporting risk management processes and reviews key initiatives such as Business Continuity and Disaster Recovery planning.

Through these measures, the Committee provides assurance to the Board that the Company maintains a sound risk culture and operates within its defined risk appetite, while supporting sustainable growth and safeguarding stakeholder interests.

## Major initiatives implemented in 2025/26

### Credit risk management

- Reviewed and recommended the Credit Risk Management Policy in line with Section 4.2 (a) of the Finance Business Act Direction No. 02 of 2024.
- Implemented a risk-based pricing mechanism aligned with credit scoring outcomes.
- Reviewed and approved risk-elevated industries in the context of prevailing economic conditions, ensuring appropriate mitigation measures.
- Reviewed periodic Credit Risk Dashboards and provided guidance to Management to strengthen credit quality.
- Oversaw training and awareness programmes for business units and credit approvers on the Credit Risk Management Policy and Credit Scoring Models.
- Reviewed the findings of the Loan Review Mechanism and monitored the implementation of corrective actions to address identified risks and prevent recurrence.

### Operational risk management

- Reviewed periodic Operational Risk Dashboards and provided recommendations to mitigate operational risk exposures.
- Strengthened the Business Continuity Plan (BCP) Policy, including enhancements to activation and switch criteria, RTO/RPO parameters, and system criticality assessments.
- Oversaw BCP testing across all departments and disaster recovery drills for IT systems to evaluate operational resilience and compliance with defined recovery objectives.
- Reviewed and enhanced the Operational Risk Management Policy in line with Section 4.4 (a) of the Finance Business Act Direction No. 04 of 2024, covering key areas such as RCSA, root cause analysis, scenario analysis, risk appetite/tolerance, and risk assessment methodologies.
- Streamlined the operational loss incident reporting process to strengthen root cause identification and incident mitigation.
- Enhanced the RCSA framework by expanding its coverage to include other critical functions, in addition to departments, products, and outsourced services.
- Conducted scenario analysis on selected low-frequency, high-impact events to assess preparedness and potential operational impact.
- Facilitated training programmes to strengthen staff capabilities in identifying, reporting, and managing operational risks.

### Management of capital, market, liquidity, and other risks

- Strengthened the integrated risk management framework to enhance oversight of material risks and overall risk governance.
- Updated the risk appetite framework to align with strategic priorities, capital planning, and the evolving risk landscape.
- Undertook a comprehensive ICAAP, incorporating a three-year capital plan, stress testing, and assessment of material risks, which was reviewed by the Committee prior to Board approval.
- Reviewed and implemented an Integrated Stress Testing Policy to support forward-looking capital planning and risk resilience.
- Enhanced oversight of treasury-related risks through the strengthening of the independent Treasury Middle Office function.
- Monitored liquidity and funding positions and implemented measures to reinforce contingency funding and resilience under stressed conditions.
- Maintained oversight of funding composition, cost of funds, and re-pricing impacts to support the management of liquidity and interest rate risks.
- Conducted sensitivity analyses to support prudent interest rate risk management.
- Introduced a branch grading framework to enhance risk monitoring and facilitate timely corrective actions.

### Information and cyber risk management

- Strengthened the effectiveness of the information security governance framework through active oversight by the Information Security Committee and regular escalation of key matters to the Board.

## Board Integrated Risk Management Committee Report

- Progressed the implementation of the Information Security Strategy, including enhancements to MFA, encryption, access controls, endpoint protection, and cybersecurity monitoring.
- Enhanced enterprise-wide Data Loss Prevention (DLP) and Information Rights Management (IRM) frameworks to strengthen data protection, classification, and secure information sharing.
- Evaluated Secure Access Service Edge (SASE) architecture to enhance secure remote access, cloud security, and overall network resilience.
- Conducted cybersecurity drills, vulnerability assessments, and awareness programmes to strengthen incident response, operational resilience, and staff awareness.
- Monitored emerging cyber threats and industry developments to support timely risk mitigation and strengthen security controls.
- Strengthened data governance and information protection practices in line with the Personal Data Protection Act No. 9 of 2022.
- Continued to enhance cybersecurity culture through governance, technology, and awareness initiatives.

### Compliance risk management

- Strengthened compliance risk management through the implementation of structured review processes to ensure the accuracy, completeness, and timely submission of statutory returns to the Central Bank of Sri Lanka.
- Enhanced oversight of outsourcing arrangements to ensure alignment with Finance Business Act Direction No. 07 of 2018 and strengthened risk controls over third-party service providers.
- Introduced a standardised evaluation framework for assessing proposed outsourcing activities and service providers.
- Strengthened the Related Party Transactions Policy to enhance transparency and improve governance practices.
- Reviewed and enhanced the financial consumer protection framework to strengthen governance, internal controls, and compliance with regulatory requirements.
- Reviewed and strengthened AML/CFT/CPF policies, procedures, and guidelines to ensure alignment with evolving regulatory requirements and business operations.
- Updated the Outsourcing Policy Framework to reflect evolving regulatory expectations and embed stronger risk mitigation measures.
- Refined the Compliance Policy to clearly articulate the Company's regulatory approach and reinforce a strong compliance culture.
- Approved and monitored the Annual Compliance Plan to ensure timely execution of compliance initiatives and effective management of regulatory obligations.
- Conducted compliance audits across branch operations to assess adherence to internal policies and regulatory frameworks.
- Facilitated targeted training programmes on AML, CFT, CPF, and Financial Consumer Protection to strengthen staff awareness and compliance capabilities.

## Evaluation of the Committee

The Committee discharged its responsibilities in accordance with its Terms of Reference and conducted a self-evaluation of its performance. The Committee was satisfied that it had functioned effectively during the year under review, and the outcome of the evaluation was reported to the Board of Directors to support governance oversight and continuous improvement.

## Declarations by the Committee

The Committee confirms that the Company has complied with the requirements of Section 10.3 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 and the Terms of Reference of the Committee approved by the Board of Directors.

For and on behalf of the Board Integrated Risk Management Committee,



M S Polamarasetty

Chairman – Board Integrated Risk Management Committee

5 June 2026
Colombo, Sri Lanka

# Board Related Party Transactions Review Committee Report



Murali Polamarasetty

Chairman – Board Related Party Transactions Review Committee

## Chairman's statement

On behalf of the Board Related Party Transactions Review Committee ("BRPTRC" or "the Committee"), I am pleased to present the Report for the financial year ended 31 March 2026.

The Committee continued to play a pivotal oversight role in ensuring that all Related Party Transactions ("RPTs") of the Company were conducted with integrity, transparency, and due regard to the interests of all shareholders. In doing so, the Committee maintained its focus on reinforcing robust governance processes, promoting fairness, and safeguarding the Company against potential conflicts of interest.

During the year, the Committee further strengthened its oversight mechanisms through enhanced review protocols, ensuring that all transactions with related parties were undertaken on an arm's length basis and on terms consistent with those applied to similar transactions with non-related parties. The Committee also ensured strict adherence to the Listing Rules of the Colombo Stock Exchange, Sri Lanka Accounting Standards (LKAS 24), and applicable Directions issued by the Central Bank of Sri Lanka.

The Board Related Party Transactions Review Committee remains committed to upholding the highest standards of corporate governance, thereby fostering stakeholder confidence and supporting the long-term sustainability of the Company.

## Composition of the Committee

The Committee comprises Non-Executive Directors appointed by the Board, with a majority being Independent Non-Executive Directors, including the Chairman, thereby ensuring independence, objectivity, and balanced judgement in its deliberations. This composition enables the Committee to exercise effective and impartial oversight in the review of related party transactions, upholding principles of transparency, fairness, and accountability.

### Membership

As at 31 March 2026, the following Directors served on the Committee:

- Mr. Murali Polamarasetty – Chairman/ Independent Non-Executive Director (appointed w.e.f. 27 November 2023)
- Mr. Lalith Withana – Independent Non-Executive Director (appointed w.e.f. 25 March 2024)
- Dr. Prasad Samarasinghe – Non-Independent Non-Executive Director (appointed w.e.f. 8 January 2026)

Brief profiles of the Directors are provided on pages 186 to 191 of this Annual Report.

## Invitees and right to obtain independent professional advice

The Managing Director/Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Head of Compliance, Head of Legal, and other Senior Management Personnel attend meetings by invitation, as required.

The Committee is authorised to obtain independent professional advice, including legal, financial, or technical expertise, at the Company's expense to facilitate informed decision-making.

## Secretary

The Company Secretary serves as Secretary to the Committee, ensuring effective coordination, proper documentation, and adherence to governance processes.

## Summary of Terms of Reference (ToR) of the Board Related Party Transactions Review Committee

The Committee operates under a Board approved Terms of Reference (ToR), which defines its composition, authority, and responsibilities, and is reviewed periodically to ensure alignment with evolving regulatory requirements and governance best practices.

The ToR requires that the Committee meet at least once every quarter and mandates that the Chairman and majority of members be Independent Non-Executive Directors. It also provides a structured framework for the identification, review, approval, and reporting of related party transactions, including the authority to obtain independent expert advice where necessary.

# Board Related Party Transactions Review Committee Report

## Responsibilities and activities in FY 2025/26

The Committee plays a pivotal role in supporting the Board in ensuring that related party transactions are conducted transparently, fairly, and in compliance with applicable regulatory requirements.

### Review and oversight of related party transactions

The Committee reviewed related party transactions reported by Management on a quarterly basis, ensuring that such transactions were undertaken on an arm's length basis and on terms comparable to those available to independent parties, without conferring preferential treatment.

### Identification and monitoring of related parties

The Committee ensured the maintenance of a comprehensive and up-to-date register of related parties in compliance with the Listing Rules of the Colombo Stock Exchange, LKAS 24, and applicable Central Bank Directions. This process was supported through quarterly declarations from Directors and Key Responsible Persons (KRPs), declarations made upon appointment, and confirmations obtained from Business Heads.

### Monitoring of changes to transactions

In line with its mandate, the Committee considered material modifications to previously evaluated transactions, where applicable, to ensure continued alignment with the arm's length principle and applicable regulatory requirements.

### Review of policy and governance framework

The Committee oversaw the adequacy of policies, procedures, and internal controls relating to related party transactions and recommended enhancements where necessary to strengthen the governance framework.

### Ensuring fairness and avoidance of conflicts of interest

The Committee assessed whether transactions with related parties were undertaken on terms comparable to those applied to similar transactions with independent parties, thereby ensuring that no related party received favourable treatment. Directors with material interests in specific transactions abstained from deliberations and decision-making on such matters, in line with established governance practices.

### Assessment of materiality and approval requirements

The Committee evaluated the materiality of related party transactions, taking into consideration their nature, value, and potential impact, and assessed the appropriate level of approval required in accordance with applicable regulatory thresholds. During the year under review, the Committee exercised oversight in this regard, ensuring that transactions were dealt with in line with applicable regulatory and Company requirements, thereby supporting sound governance and compliance with the Listing Rules of the Colombo Stock Exchange.

### Regulatory disclosure compliance

The Committee ensures compliance with applicable disclosure requirements relating to related party transactions, including disclosures to the Colombo Stock Exchange and in the Annual Report, in line with regulatory requirements.

## Meetings of the Committee

The attendance of the Directors at Committee meetings is set out on page 201 of this Annual Report.

## Committee effectiveness

The performance and effectiveness of the Committee are evaluated annually through a structured assessment undertaken by the members of the Committee. The outcomes of the evaluation are collectively reviewed and submitted to the Board of Directors for consideration and, where necessary, for further action. Based on the evaluation conducted during the year under review, the Committee is satisfied that it has functioned effectively and discharged its responsibilities in line with its Terms of Reference.

## Related party transactions disclosure

Note 44 to the Financial Statements provides details of the related party transactions for the financial year under review.

The Committee reviewed all related party transactions for the period from 1 April 2025 to 31 March 2026 and confirmed that:

- All transactions were conducted on an arm's length basis;
- No transactions were identified as being preferential or favourable to related parties; and
- The Company has complied with the relevant provisions of the Listing Rules of the Colombo Stock Exchange and applicable Finance Business Act Directions.

Further, the Committee confirms that the Company did not enter into any transactions falling within the scope of Rules 9.14.8.1 and 9.14.8.2 of the CSE Listing Rules, and accordingly, no additional disclosures were required.

## Reporting to the Board

The Committee reports regularly to the Board on its deliberations, findings, and recommendations, with minutes of meetings formally tabled to ensure transparency and effective oversight.

## Declaration by the Committee

The Committee confirms that the Company has complied with the applicable requirements governing related party transactions under the Listing Rules of the Colombo Stock Exchange and the relevant Directions issued by the Central Bank of Sri Lanka and continues to ensure timely compliance with all regulatory obligations.

For and on behalf of the Board Related Party Transactions Review Committee



Murali Polamarasetty

Chairman – Board Related Party Transactions Review Committee

5 June 2026
Colombo, Sri Lanka

# Statement by the Senior Independent Director



Mr Lalith Withana

Senior Independent Director

Dear Shareholders,

Following the retirement of Mr Hasitha Wijesundara from the position of Senior Director with effect from 27 September 2025, and upon receiving the approval of the Central Bank of Sri Lanka, the Board of Directors appointed me as the Senior Independent Director of the Company with effect from the same date.

This appointment was made in compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance for Licensed Finance Companies, which require the designation of an Independent Director as the Senior Director where the Chairperson is not an Independent Director. This Statement is also presented in accordance with Section 9.6.3 (e) of the revised Listing Rules on Corporate Governance of the Colombo Stock Exchange, as a practice of sound corporate governance. A brief profile of the Senior Independent Director is set out on page 187 of this Annual Report.

During the financial year 2025/26, I actively participated in all meetings of the Board and contributed independently and constructively to Board deliberations. I am satisfied that the Board functioned with due independence, objectivity, and integrity, and that decisions were taken in the best interests of the Company and its stakeholders.

The role and responsibilities of the Senior Independent Director are governed by a Board approved Terms of Reference, which were reviewed by the Board Nominations and Governance Committee and approved by the Board on 30 March 2026 to ensure continued alignment with regulatory requirements and evolving best practices.

Senior Director's role shall involve:

- Serve as the intermediary for other Directors and shareholders.
- Act as the Chairman of the Board of Directors when matters concerning the Chairman are considered.
- Act as a conduit to the Board for the communication of shareholder concerns when other channels of communication are inappropriate.
- Ensure that the views of other Non-Executive Directors are given due consideration.
- Make himself available for confidential discussions with other Non-Executive Directors who may have concerns that they believe have not been properly considered by the Board as a whole.
- Chair a meeting of the Non-Executive Directors without the Chairman present, at least annually, to appraise the Chairman's performance and on such other occasions as are deemed appropriate.
- Chair the meetings of the Independent Directors, without the presence of other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The Senior Director shall provide feedback and recommendations from such meetings to the Chairman and the other Board members.
- Make himself available for engagement with shareholders as appropriate and ensure that any concerns raised are duly communicated to the Board through the Company Secretary.
- When Directors have concerns about the matters of the Company which cannot be unanimously resolved, the Senior Independent Director should ensure their concerns are recorded in the Board minutes.

In accordance with these Terms of Reference, I served as a sounding board to the Chairman and as an intermediary for Directors and shareholders where appropriate, ensuring that the views of the Non-Executive and Independent Directors were duly considered in Board deliberations.

As the Senior Independent Director, I ensured that material and strategic matters were brought before the Board for timely deliberation, while facilitating due consideration of the views of the Non-Executive Directors.

In my role as a member and Chairman of the Board Nominations and Governance Committee, I contributed to the appointment of Directors to the Board and Key Responsible Persons of the Company, assessed the fitness and propriety of them, and provided independent and objective guidance to the Chairman and the Board. Where required, I also provided leadership to support effective Board decision-making in line with sound corporate governance practices and the best interests of the Company and its stakeholders.

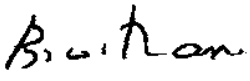
In accordance with regulatory requirements, meetings of the Non-Executive Directors and the Independent Directors were convened during the financial year 2025/26 without the presence of the Chairman and other Directors, respectively. Further, the meeting of the Independent Directors provided a forum to deliberate on matters relating to the Company and the effectiveness of the Board. The observations, outcomes, and any concerns arising from these discussions were duly communicated to the Chairman and the Board of Directors, as appropriate.

I confirm that, throughout the financial year 2025/26, the performance of individual Directors and the overall effectiveness of the Board were subjected to appropriate oversight, continuity, and review, including during the transition following the retirement of my predecessor.

In fulfilling my fiduciary responsibilities to shareholders, I also participated in the Annual General Meeting held on 30 June 2025, which provided an opportunity to engage with shareholders and to reinforce the Board's commitment to transparency and accountability.

On behalf of the Board, I wish to record our sincere appreciation to Mr Hasitha Wijesundara for his valuable contribution during his tenure as Senior Independent Director. His service has materially strengthened the Company's governance framework.

I remain committed to supporting the Board in upholding the highest standards of corporate governance, in compliance with applicable regulatory requirements and internationally recognised best practices. I am confident that I have discharged my responsibilities as Senior Independent Director with due care, independence, and diligence, in the best interests of the Company and its shareholders.



Lalith Withana

Senior Independent Director

5 June 2026
Colombo, Sri Lanka

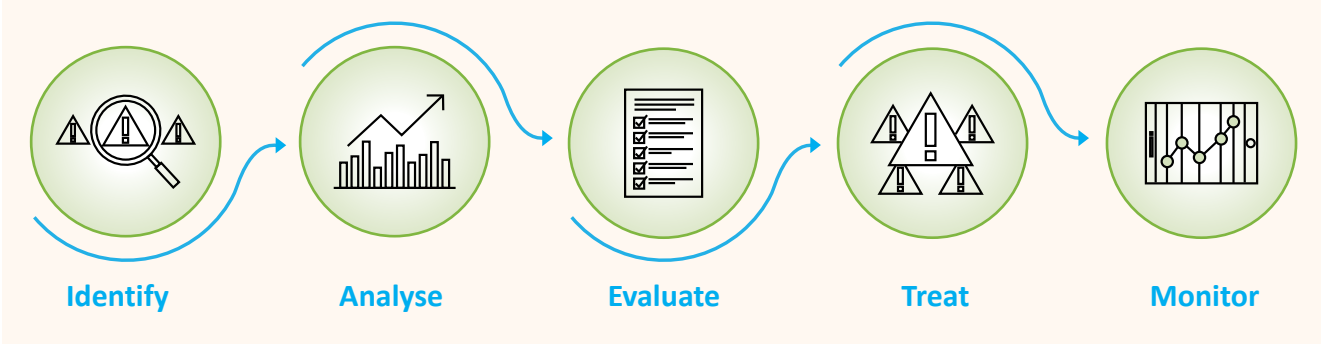


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# Risk Management

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# Risk Management Review




The Company continued to operate in a progressively stabilising operating environment during the financial year 2025/26, while actively strengthening its risk management practices to support sustainable growth and financial resilience. During the year, the Company achieved improvements in key financial and risk indicators, including enhanced asset quality, strengthened impairment coverage, improved Net Interest Margins, and overall profitability, supported by disciplined credit and balance sheet management.

Notwithstanding these improvements, the Company remained mindful of evolving risk factors across its operating environment. Particular attention was given to managing exposures arising from commodity price volatility, especially in gold-backed lending portfolios, while continuing to enhance operational resilience through improved controls, reduced operational risk incidents, and strengthened cybersecurity capabilities.

In line with its long-term strategic direction, the Company further strengthened its Integrated Risk Management Framework, ensuring effective oversight across all material risk categories. As part of its growth trajectory, the Company continues to position itself towards becoming a Domestically Systemically Important Licensed Finance Company, with a focused emphasis on strengthening core capital, governance standards, and risk management capabilities to support sustained performance in an evolving risk landscape.

## RISK MANAGEMENT HIGHLIGHTS AT A GLANCE

- Implemented a risk-based pricing mechanism aligned with credit scoring to enhance risk-adjusted returns and overall portfolio quality.
- Strengthened the RCSA framework, including the implementation of a comprehensive enterprise-wide assessment covering Information Security risk.
- Formalised the Root Cause Analysis framework, incorporating structured methodologies such as the 5 Whys and Bowtie Analysis to identify underlying causes of risk events.
- Fully implemented and enhanced Data Loss Prevention, Information Rights Management, and data governance practices in alignment with the Personal Data Protection Act.
- Conducted targeted, enterprise-wide training programmes covering AML/CFT/CPF, Operational Risk Management, Credit Risk Management, and Information Security to strengthen staff awareness and capabilities.
- Performed sensitivity analyses on re-pricing movements to support prudent management of interest rate risk.
- Introduced a branch grading framework to strengthen risk monitoring and enable timely identification and corrective action across the network.

## Significant risks in 2025/26

During the financial year 2025/26, the Company operated in a gradually stabilising economic environment, supported by improving inflation, lower interest rates, and increased foreign currency inflows from tourism and worker remittances. The relaxation of vehicle imports restrictions also supported renewed credit demand, particularly in asset-backed financing segments, although the operating environment continued to present uncertainties.

In the latter part of the year, global and domestic factors, including geopolitical tensions, climate-related disruptions, and regulatory developments, continued to influence the Company's risk profile. Accordingly, the Company maintained a forward-looking approach to identify, assess, and mitigate these risks, as outlined below.

### Macroeconomic reform and stability developments

The continued implementation of Sri Lanka's economic reform programme, supported by the IMF Extended Fund Facility, remained a key anchor of macroeconomic stability. Progress in fiscal consolidation, revenue mobilisation, and external debt restructuring improved fiscal outcomes, strengthened investor confidence, and supported the rebuilding of external reserves. However, the sustainability of the recovery remains dependent on evolving external and domestic conditions, including global trade uncertainties, commodity price volatility, and climate-related disruptions, underscoring the need to maintain reform momentum and prudent macroeconomic policies.

### Geopolitical risks

Geopolitical tensions intensified late in the year, especially in the Middle East involving Iran, the United States, and Israel, driving volatility in energy markets and fuel costs. Policy shifts, including U.S. tariffs, increased uncertainty in global trade and capital flows. With the Russia–Ukraine conflict, this heightened uncertainty across trade and supply chains. Commodity volatility, particularly in gold, raised risks in gold-backed portfolios, pressuring collateral values and loan-to-value ratios.

### Foreign exchange market

The Sri Lankan Rupee remained relatively stable for most of the financial year, supported by improved foreign currency inflows and strengthening external reserves. However, a marginal depreciation was observed towards the latter part of the year due to increased foreign exchange demand and emerging external pressures. Key vulnerabilities include higher import demand following the relaxation of vehicle import restrictions, external debt servicing obligations, and fluctuations in export earnings. Sustained stability in the external sector and continued inflows remain critical to maintaining exchange rate stability.

### Credit risk environment

The credit environment improved during 2025/26, supported by lower interest rates, improved liquidity, and stronger business confidence. Credit growth was further supported by the relaxation of vehicle imports, driving leasing and asset-backed financing activity. However, borrower vulnerabilities persisted due to cost pressures and income constraints, while repayment capacity in certain sectors was affected by Cyclone Ditwah and indirect geopolitical impacts. Asset quality showed stabilising trends, though continued monitoring remains essential across higher-risk and climate-sensitive sectors.

### Interest rate and market risks

Although interest rate volatility moderated, repricing risks between assets and liabilities continued to affect earnings. Changes in funding costs and lending rates required close monitoring to manage net interest margins. Fluctuations in collateral values, particularly gold prices, posed risks to loan-to-value ratios and recovery outcomes. Commodity price volatility remained a key driver of market and credit risks.

### Liquidity and funding risks

Liquidity conditions remained broadly stable, supported by steady deposit growth and improved funding access. However, funding liquidity risk increased with strong credit expansion, resulting in higher funding needs and concentration risks. Liquidity risk was mainly influenced by funding composition, maturity mismatches, and growth-driven requirements, with ongoing monitoring of liquidity buffers, diversification, and contingency arrangements remaining a key focus.

### Climate related financial risks

Climate-related risks became increasingly evident during the financial year, particularly due to Cyclone Ditwah, which disrupted multiple sectors. The agricultural sector was significantly affected, while SMEs faced operational challenges due to infrastructure constraints and reduced economic activity. These developments impacted borrower repayment capacity and economic activity in affected regions, highlighting the need to integrate climate risk considerations into credit assessment and portfolio monitoring.

### Information security and cyber risks

Information security and cyber risks increased with the continued adoption of digital financial services. Local developments highlighted a rising trend in cyber incidents, including phishing, ransomware, and digital fraud targeting both customers and institutions. Greater reliance on digital platforms and third party systems further expanded the Company's risk exposure, reinforcing the need for continued investment in cybersecurity controls, system resilience, and awareness programmes.

### Regulatory and compliance risks

The regulatory landscape continued to evolve during 2025/26, with increased focus on strengthening risk management, governance, and financial system resilience. Enhanced requirements in areas such as Liquidity Risk Management, Beneficial Ownership, Recovery Planning, and operational resilience required continuous alignment. In addition, sustained emphasis on AML/CFT/CPF compliance, financial consumer protection, ESG disclosures, and the Personal Data Protection Act expanded compliance obligations, necessitating enhancements to systems, processes, and internal controls.

## Risk Management Review

# Managing the material risks

The table below presents a summary of the Company's material risks, together with the corresponding risk measurement, monitoring frameworks, and management strategies.

| Category | Definition | Risk Drivers |
|---|---|---|
| **Credit Risk** | Credit risk is the risk of financial loss arising from the failure of a borrower or counterparty to meet its contractual obligations. This represents a primary risk for the Company given its core lending activities and exposure to borrowers across different segments. | Credit risk is driven by macroeconomic conditions such as inflation, interest rates, and economic growth, as well as borrower-specific factors including repayment capacity, creditworthiness, and collateral quality. Additional drivers include concentration of exposures, regulatory changes, and weaknesses in credit underwriting or monitoring processes. |
| **Market Risk** | Market risk is the risk of financial loss arising from adverse movements in market variables, primarily interest rates and asset-related price movements. | Market risk arises from fluctuations in interest rates and volatility in collateral values, particularly gold and vehicle prices, which may impact earnings, lending margins, and recovery values of secured exposures. |
| **Liquidity Risk** | Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due, without incurring unacceptable losses or adversely impacting its financial position. It includes both funding liquidity risk and market liquidity risk, arising from the inability to generate sufficient cash flows or liquidate assets under stressed conditions. | Liquidity risk arises from obligations such as deposit withdrawals, loan disbursements, settlement of borrowings, and investment commitments. Key drivers include concentration of large deposits, premature withdrawals, reduced deposit renewal rates, maturity mismatches between assets and liabilities, and reliance on external funding. Adverse market conditions and deterioration in depositor confidence may further amplify this risk. |
| **Operational Risk** | Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This includes legal and compliance risks but excludes strategic and reputational risks.<br>Operational Risk Components.<br>• Compliance Risk<br>• Legal Risk<br>• Business Continuity Management<br>• Conduct Risk | Operational risk arises from process failures, human error, system disruptions, fraud incidents, cyber events, and external factors such as natural disasters or regulatory changes. Increasing reliance on technology and outsourcing arrangements further contributes to this risk. |
| **Information and Cyber Risk** | Information and cyber risk is the risk of financial loss, operational disruption, or reputational damage arising from cyber threats, system failures, or breaches of data security. | This risk arises from increasing reliance on information systems, exposure to cyber threats, data vulnerabilities, and technological complexity within the Company's operations. |
| **Strategic Risk** | Strategic risk is the risk of adverse impact on the Company's earnings, capital, or long-term sustainability arising from ineffective strategic decisions or inability to respond to changes in the operating environment. | Strategic risk arises from market dynamics, competitive pressures, regulatory developments, and deviations from planned strategic objectives or ineffective execution of business plans. |
| **Reputation Risk** | Reputational risk is the risk of adverse stakeholder perception that may negatively affect the Company's brand value, stakeholder confidence, and financial performance. | Reputational risk arises from governance failures, compliance breaches, customer dissatisfaction, operational incidents, and adverse media exposure, which may impact stakeholder trust. |
| **ESG Risk** | ESG risk refers to the potential financial, operational, or reputational impact arising from inadequate management of environmental, social, and governance factors. | ESG risks arise from environmental impacts, social responsibilities, governance practices, regulatory changes, and evolving stakeholder expectations, including indirect exposures such as financed emissions. |

| Risk Measurement and Monitoring Framework | Risk Management Strategies | Page References |
|---|---|---|
| Credit risk is measured through internal credit scoring models, portfolio concentration analysis, and stress testing. Monitoring includes early warning indicators, watch list identification, repayment behaviour analysis, post-disbursement reviews, and periodic collateral valuation. Risk exposures are regularly reviewed and reported to ERMC, BIRMC, and the Board. | Credit risk is managed through robust credit policies, risk acceptance criteria, concentration limits, and delegated authority structures, supported by a structured loan review mechanism and recovery processes. Capital allocation is determined under Pillar I of the ICAAP framework using the Standardised Approach. | 278 |
| Market risk is measured using repricing gap analysis, sensitivity analysis, and scenario-based stress testing. Interest rate risk is evaluated based on its impact on net interest income, while collateral-related exposures are assessed through price sensitivity analysis. Monitoring is conducted by the Risk Management Department and Treasury Division, with oversight by ALCO and reporting to ERMC, BIRMC, and the Board. | Market risk is managed through balance sheet optimisation, pricing strategies, and continuous monitoring of exposures within approved risk appetite limits. Interest rate risk in the banking book and asset price-related risks are assessed under Pillar II of the ICAAP framework. | 282 |
| Liquidity risk is measured using a combination of stock and flow approaches, including liquidity ratios, maturity gap analysis across defined time buckets, and forward-looking cash flow projections. Stress testing is conducted under adverse scenarios, including deposit withdrawals, non-renewals, and concentration-driven funding shocks, to assess the adequacy of liquidity buffers. Monitoring is performed by the Treasury Division and Risk Management Department under the oversight of ALCO, with regular reporting to ERMC, BIRMC, and the Board. | Liquidity risk is managed through adherence to the Treasury Policy, maintenance of adequate liquid asset buffers, diversification of funding sources, and implementation of contingency funding arrangements. Early warning indicators and liquidity triggers are continuously monitored to support timely management actions. Capital implications are assessed under Pillar II of the ICAAP framework to ensure adequate buffers against liquidity stress. | 284 |
| Operational risk is measured and monitored through RCSA, KRIs, internal loss data collection, Root Cause Analysis (RCA), and scenario analysis. Loss events are classified based on Basel event types and analysed to identify trends and control gaps. Risk dashboards and reports are submitted regularly to ERMC, BIRMC, and the Board to support oversight. | Operational risk is managed through a comprehensive ORM framework supported by policies, internal controls, and Business Continuity Management practices. Continuous improvements in RCSA, KRIs, and RCA frameworks enhance risk identification and mitigation. Capital is allocated under Pillar I of the ICAAP framework using the Basic Indicator Approach. | 286 |
| Risk is monitored through continuous security surveillance, vulnerability assessments, penetration testing, and real-time threat detection mechanisms. Risk dashboards and monitoring reports are escalated to ISC, ERMC, BIRMC, and the Board for oversight. | The Company manages this risk through implementation of robust cybersecurity controls including EDR, ATP, MFA, and DLP solutions, supported by the Information Security Policy and ISMS framework. Capital allocation is assessed under Pillar II of the ICAAP framework. | 288 |
| Strategic risk is assessed using a structured qualitative scorecard approach under the ICAAP framework. The Corporate Planning Division monitors performance against strategic and budgetary objectives on a quarterly basis and reports deviations to the BSIRC, enabling timely corrective action. Performance is also tracked against KPIs to ensure alignment with strategic targets. | Strategic risk is managed through Board oversight, structured planning, and ongoing performance monitoring. Capital allocation is recognised under Pillar II of the ICAAP framework. | 288 |
| Risk is assessed through a structured scorecard approach and monitored through stakeholder engagement, media surveillance, and customer complaint analysis to identify emerging risks at an early stage. | Reputational risk is managed through a robust governance framework, supported by the Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, Communication Policy, and Whistleblowing Policy. Structured complaint management and stakeholder engagement mechanisms are maintained to address concerns promptly. Reputational risk is assessed under Pillar II of the ICAAP framework, with capital buffers maintained for potential exposures. | 289 |
| The Company assesses ESG risks through structured evaluation frameworks covering environmental, social, and governance factors across operations and portfolio exposures. Monitoring mechanisms are continuously enhanced to identify emerging ESG risks. | ESG risk is managed through Board oversight and integration of ESG considerations into strategy, policies, and operations, supported by the ESG Policy and Integrated Risk Management Framework. ESG risk is assessed under Pillar II of the ICAAP framework, with capital buffers maintained against ESG-related exposures. | 289 |

## Integrated risk management framework

The Company maintains a comprehensive Integrated Risk Management Framework to ensure the effective identification, assessment, measurement, monitoring, and control of all material risks across its operations. The Framework provides a structured approach to managing key risk categories, including credit, market, liquidity, operational, compliance, and information and cyber risks, in alignment with the Company's strategic objectives and regulatory requirements.

The Framework enables a consolidated view of the Company's risk profile and supports risk-based decision-making across all levels of the organisation. It is embedded within day-to-day operations, facilitating a proactive and forward-looking approach to managing both financial and non-financial risks, including regulatory compliance and financial crime risks.

The Company's Risk Appetite Framework and Risk Appetite Statement form an integral part of the Framework, guiding risk-taking decisions within approved thresholds. In addition, the Framework is supported by established risk management processes and control mechanisms designed to prevent, detect, and respond to risk events through ongoing monitoring and periodic testing.

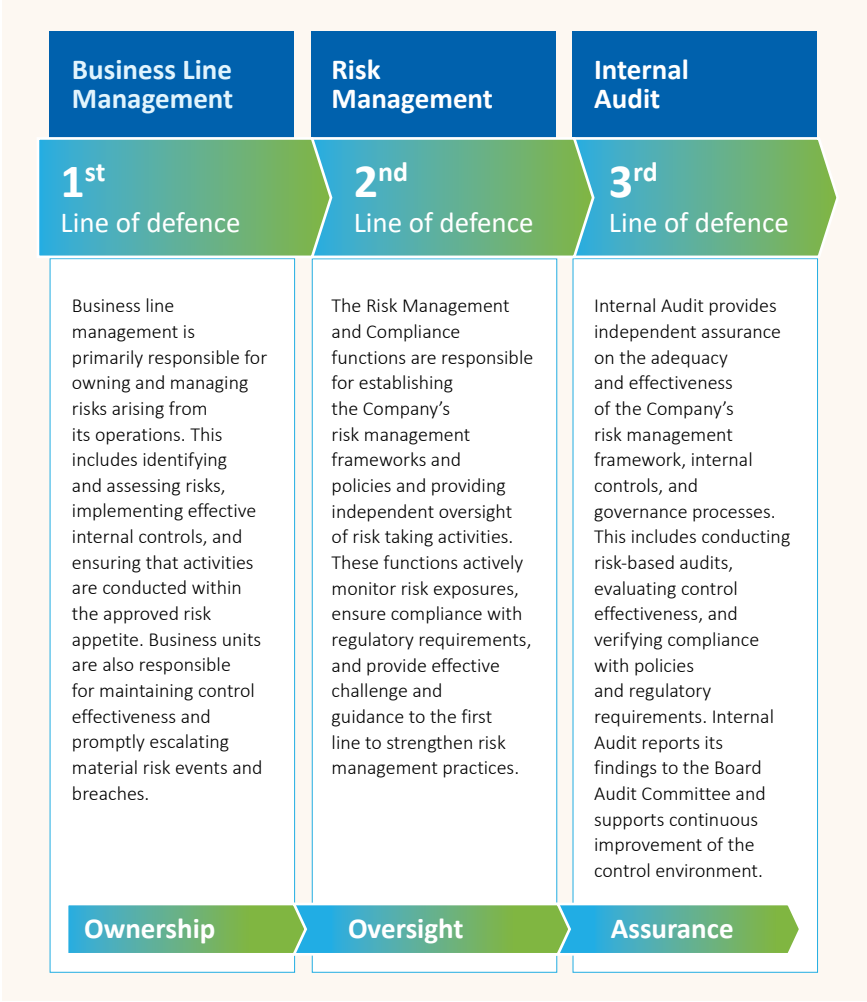
The effectiveness of the Integrated Risk Management Framework is subject to periodic review and enhancement to ensure its continued relevance in a dynamic risk environment, thereby supporting informed decision-making, strengthening resilience, and safeguarding stakeholder interests.

## Governance of risk management

The Company maintains a robust risk governance structure under the overall oversight of the Board of Directors, which holds ultimate responsibility for the effective management of risk. Governance oversight is supported by the Board Integrated Risk Management Committee (BIRMC) and a structured executive risk governance framework that ensures appropriate reporting, monitoring, and escalation of risk matters. Day-to-day responsibility for managing risk is delegated to senior management, with clear accountability for risk-taking and decision-making within their respective areas.

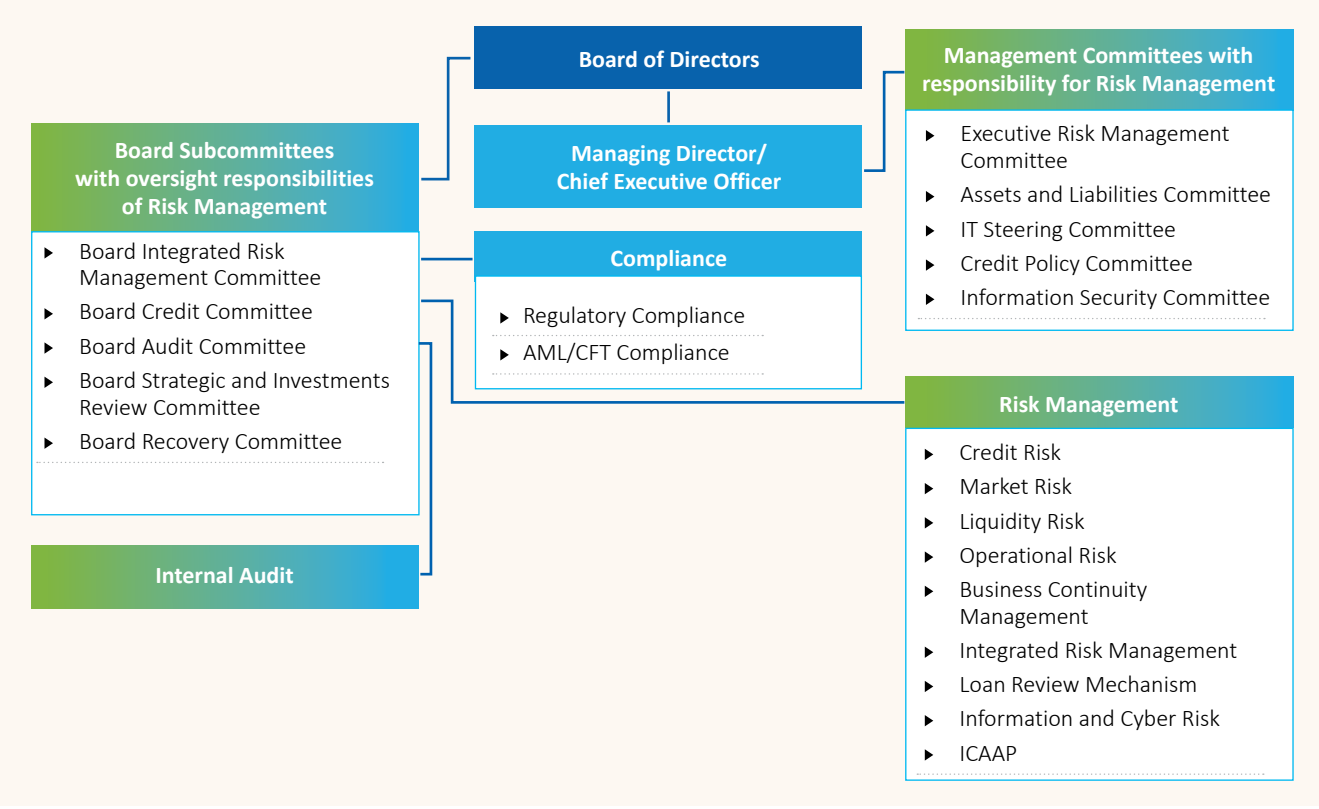
Risk governance is underpinned by the Three Lines of Defence model, which clearly defines roles and responsibilities across the organisation. Business units, as the first line, are responsible for managing risks within approved limits. Independent Risk Management and Compliance functions, as the second line, provide oversight, policy guidance, and challenge. Internal Audit, as the third line, provides independent assurance on the effectiveness of risk management, internal controls, and governance processes.

This governance structure promotes accountability, transparency, and a strong risk culture across the organisation, ensuring that risks are effectively managed within the Company's defined risk appetite while supporting the achievement of its strategic objectives.



## Organisational structure for risk governance

The Company has established a well-defined and multi-layered organisational structure for risk governance to ensure effective oversight, management, and control of risks across all levels of the organisation. This structure promotes accountability, enhances transparency, and aligns risk-taking activities with the Company's strategic objectives and regulatory requirements.




At the apex, the Board of Directors holds ultimate responsibility for the governance of risk and for ensuring that an appropriate risk management framework is in place and effectively implemented. In discharging its responsibilities, the Board is supported by a number of specialised Board Subcommittees, each providing focused oversight on key risk areas. These include:

- Board Strategic and Investments Review Committee (BSIRC)
- Board Integrated Risk Management Committee (BIRMC)
- Board Audit Committee (BAC)
- Board Credit Committee (BCC)
- Board Recovery Committee (BRC)

These Subcommittees enable a structured and comprehensive approach to risk oversight by focusing on specific risk dimensions while ensuring coordination at the Board level.

At the management level, the implementation of risk strategies and policies is supported through a series of senior management committees that facilitate continuous monitoring and timely decision-making. These include:

- Asset and Liability Committee (ALCO)
- Executive Risk Management Committee (ERMC)
- Credit Policy Committee (CPC)
- IT Steering Committee (ITSC)
- Information Security Committee (ISC)

These committees are responsible for operationalising Board-approved strategies, monitoring risk exposures, and responding to emerging risks within their respective domains.

# Risk Management Review

Complementing the governance and management structures, the Risk Management, Compliance, and Internal Audit functions operate as independent control and assurance units within the overall framework. These functions provide policy direction, regulatory oversight, and independent assurance on the effectiveness of risk management practices, internal controls, and governance processes.

This integrated organisational structure ensures a coordinated and disciplined approach to risk governance, supporting proactive risk management, informed decision-making, and the effective alignment of risk-taking activities with the Company's strategic objectives, risk appetite, and regulatory expectations, thereby strengthening overall financial resilience and long-term sustainability.

Roles and Responsibilities of Board and Committees in relation to Risk Management

| Board/Board Subcommittees | Role Of Board or Board Subcommittee in relation to Risk Management |
|---|---|
| Board of Directors | Holds ultimate responsibility for the Company's risk oversight, including setting risk strategy, defining risk appetite, and ensuring the effectiveness of the risk management framework, policies, and internal controls in alignment with strategic objectives. |
| Board Strategic and Investments Review Committee | Provides oversight of strategic initiatives and investment decisions, ensuring alignment with the Company's risk appetite, financial objectives, and long-term value creation. |
| Board Integrated Risk Management Committee | Oversees the adequacy and effectiveness of the Company's integrated risk management framework and ensures that material risks are identified, monitored, and managed in line with strategic objectives and regulatory requirements. |
| Board Audit Committee | Oversees the integrity of financial reporting, the effectiveness of internal controls, and the performance of internal and external audit functions, ensuring robust risk control and compliance mechanisms. |
| Board Credit Committee | Provides oversight of the Company's credit risk management, including approval and review of credit policies, strategies, and significant credit exposures. |
| Board Recovery Committee | Oversees recovery strategies and monitors high-risk and non-performing exposures, with a focus on strengthening recovery performance and minimising credit losses. |

| Management Committees | Role of Committee in relation to Risk Management |
|---|---|
| Executive Risk Management Committee | Acts as the apex management-level committee responsible for overseeing the identification, assessment, monitoring, and management of enterprise-wide risks, ensuring effective implementation of the Company's risk management strategies. |
| Credit Policy Committee | Oversees the formulation, review, and implementation of credit risk strategies, policies, and exposure limits, and ensures the effectiveness of the credit appraisal, approval, and administration processes. |
| Assets and Liabilities Committee | Manages liquidity, market, and interest rate risks, while optimising the balance sheet structure, funding strategy, and pricing in alignment with the Company's risk appetite. |
| IT Steering Committee | Oversees the Company's IT strategy, governance, and major technology initiatives, ensuring alignment with business objectives and effective management of technology-related risks. |
| Information Security Committee | Reviews and strengthens the Company's information security and cybersecurity framework, ensuring resilience, regulatory compliance, and alignment with industry best practices. |

## Key independent functions within the risk governance structure

As part of the Company's risk governance framework, independent control and assurance functions play a critical role in ensuring effective oversight, regulatory compliance, and objective assurance to the Board of Directors and its Subcommittees. These functions operate independently from business operations and collectively strengthen the robustness and effectiveness of the Company's risk management practices.

### Risk management department

The Risk Management Department provides independent oversight of the Company's risk exposures and ensures the effective implementation of the Integrated Risk Management Framework across the organisation. The function operates under the direction of the BIRMC and is led by the Chief Risk Officer, who reports functionally to the BIRMC.

The department develops and maintains risk management frameworks, policies, and methodologies, and facilitates the identification, assessment, monitoring, and reporting of risks across all business areas. It also supports forward-looking risk management through stress testing, scenario analysis, and risk monitoring mechanisms.

The CRO is a member of key management committees, including ERMC, ALCO, CPC, ITSC, and ISC, and participates in Board Subcommittee meetings such as BIRMC, BCC, BSIRC, BRC, and BAC, as required. The CRO also functions as the Secretary to the ERMC and BIRMC. In addition, the CRO attends Board meetings by invitation, based on agenda items under discussion.

### Compliance department

The Compliance Department is responsible for ensuring adherence to applicable laws, regulations, and internal policies. The function is headed by the Head of Compliance, who reports functionally to the BIRMC, thereby maintaining independence from business operations.

The department monitors compliance risks through structured review processes and supports the identification, assessment, and mitigation of regulatory risks. It also facilitates regulatory engagement, ensures timely implementation of regulatory requirements, and promotes a strong compliance culture across the organisation.

The Head of Compliance is a member of the ERMC and participates in management committees such as ALCO, CPC, ITSC, and ISC, as relevant. The Head of Compliance also attends BIRMC and BAC meetings, and participates in Board meetings by invitation, based on the nature of matters under consideration.

### Internal audit department

The Internal Audit Department provides independent and objective assurance on the adequacy and effectiveness of the Company's internal controls, risk management processes, and governance framework. The function is led by the Head of Internal Audit, who reports functionally to the BAC, ensuring independence from management.

The department conducts risk based audits in accordance with an approved audit plan and evaluates the effectiveness of operational, financial, and compliance controls. It also assesses adherence to internal policies and regulatory requirements and recommends improvements to strengthen the control environment.

The Head of Internal Audit regularly attends both BAC and BIRMC meetings. The Head of Internal Audit also functions as the Secretary to the BAC. In addition, the Head of Internal Audit attends ERMC meetings and participates in Board meetings, by invitation, when audit-related matters or special assignments are under consideration.

# Risk Management Review

## Key initiatives adopted by the company to strengthen risk management in 2025/26

### Credit risk management

- The Credit Risk Management Policy was reviewed and enhanced in line with Section 4.2(a) of the Finance Business Act Direction No. 02 of 2024, ensuring continued alignment with regulatory requirements and sound credit risk management practices.
- A risk-based pricing mechanism was implemented, aligned with Credit Scoring outcomes, to enhance risk-adjusted returns and strengthen overall portfolio quality.
- Risk-elevated industries were assessed on a periodic basis in the context of prevailing macroeconomic conditions, and appropriate mitigation measures were implemented to manage sectoral exposures. Impairment provisioning was also aligned to reflect the underlying risk profile of these sectors.
- Training and awareness programmes were conducted for business units and credit approvers on the Credit Risk Management Policy and Credit Scoring Models, with a view to strengthening credit evaluation standards and reinforcing risk awareness across lending operations.
- In addition, outcomes of the Loan Review Mechanism were utilised to implement corrective actions aimed at addressing identified risks, enhancing portfolio resilience, and preventing recurrence.

### Management of capital, market, liquidity and risk governance

- The Company continued to strengthen its Integrated Risk Management Framework to enhance oversight of material risks and reinforce overall risk governance across the organisation.
- The Risk Appetite Framework was reviewed and updated to ensure alignment with strategic priorities, capital planning objectives, and the evolving risk environment.
- A comprehensive Internal Capital Adequacy Assessment Process (ICAAP) was undertaken, incorporating a forward-looking three-year capital plan, stress testing, and a detailed assessment of material risks to support effective capital planning and resilience.
- An Integrated Stress Testing Policy was implemented to support forward-looking risk assessment, strengthen capital planning processes, and enhance resilience under adverse conditions.
- Treasury-related risk management was further strengthened through enhancements to the independent Treasury Middle Office function, improving monitoring, control, and alignment with defined risk appetite limits.
- Liquidity and funding positions were continuously monitored, and proactive measures were implemented to strengthen contingency funding arrangements and enhance resilience under stressed conditions.
- Ongoing monitoring was carried out on funding composition, cost of funds, and re-pricing dynamics to support effective management of liquidity and interest rate risks.
- Sensitivity analyses were conducted to assess the impact of re-pricing movements on deposits and borrowings, supporting prudent interest rate risk management.
- A branch grading framework was introduced to enhance risk monitoring across the network and facilitate timely identification and corrective action on emerging risks.

### Operational risk management

- The Company continued to strengthen its operational risk management practices through the enhancement and continuous monitoring of Operational Risk Dashboards, supporting proactive identification and mitigation of operational risk exposures and strengthening internal controls.
- The Business Continuity Plan (BCP) Policy was further strengthened, including enhancements to activation criteria, switch procedures, Recovery Time Objectives (RTOs), Recovery Point Objectives (RPOs), and system criticality assessments, to enhance operational resilience.
- Comprehensive BCP testing was conducted across all departments, together with Disaster Recovery (DR) drills for IT systems, to evaluate the effectiveness of recovery capabilities and ensure adherence to defined recovery objectives.
- The Operational Risk Management Policy was reviewed and enhanced in line with Section 4.4(a) of the Finance Business Act Direction No. 04 of 2024, covering key areas such as RCSA, Root Cause Analysis, Scenario Analysis, risk appetite and tolerance, and risk assessment methodologies.
- The Operational Loss Incident Reporting process was streamlined to improve the identification of underlying causes and strengthen incident management and mitigation practices.
- The RCSA framework was further enhanced by expanding its coverage to include additional critical functions beyond departments, products, and outsourced activities, including the conduct of a comprehensive RCSA for Information Security risk, thereby strengthening the overall comprehensiveness and depth of risk assessments.
- Scenario analyses were conducted on selected low-frequency, high-impact events to assess potential operational disruptions and strengthen preparedness and response capabilities.
- The Anti-Fraud Policy was reviewed and strengthened to enhance the identification, prevention, and effective management of fraud-related risks across the organisation.
- Targeted training programmes were conducted to enhance staff capabilities in identifying, reporting, and managing operational risks, thereby promoting a strong risk-aware culture across the organisation.

## Information and cyber risk management

- The Company continued to strengthen the effectiveness of its Information Security Governance Framework through enhanced oversight and regular escalation of key information security matters to the Board.
- Implementation of the Information Security Strategy was progressed, including enhancements to Multi-Factor Authentication (MFA), encryption protocols, access controls, endpoint protection, and cybersecurity monitoring capabilities to strengthen the overall security posture.
- Enterprise-wide Data Loss Prevention and Information Rights Management frameworks were further strengthened to enhance data protection, classification, and secure information sharing across the organisation.
- Secure Access Service Edge architecture was evaluated to enhance secure remote access capabilities, improve cloud security, and strengthen overall network resilience.
- Cybersecurity drills, and awareness programmes were conducted to enhance incident response capabilities and improve operational resilience against cyber threats.
- Continuous monitoring of emerging cyber threats and industry developments was carried out to support proactive risk mitigation and strengthen security controls.
- Data governance and information protection practices were enhanced in line with the Personal Data Protection Act, No. 9 of 2022, reinforcing regulatory compliance and data privacy standards.
- Ongoing initiatives were undertaken to strengthen the Company's cybersecurity culture through governance improvements, technology enhancements, and organisation-wide awareness programmes.

## Compliance risk management

- The Company continued to strengthen its compliance risk management practices through the implementation of structured review processes aimed at ensuring the accuracy, completeness, and timely submission of statutory returns to the Central Bank of Sri Lanka.
- Oversight of outsourcing arrangements was enhanced to ensure alignment with the Finance Business Act Direction No. 07 of 2018, together with the strengthening of risk management controls over third-party service providers.
- A standardised evaluation framework was introduced to assess proposed outsourcing arrangements and service providers, ensuring consistency in risk assessment and decision-making.
- The Related Party Transactions Policy was further strengthened to enhance transparency, strengthen governance standards, and ensure compliance with regulatory requirements.
- The Financial Consumer Protection Framework was enhanced to reinforce governance, strengthen internal controls, and promote fair and transparent treatment of customers in line with regulatory expectations.
- Policies, procedures, and guidelines relating to Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering Proliferation Financing (CPF) were reviewed and strengthened to ensure alignment with evolving regulatory requirements, international standards, and emerging financial crime risks. These enhancements focused on improving customer due diligence processes, transaction monitoring mechanisms, and reporting controls, thereby strengthening the Company's overall financial crime risk management framework.
- The Outsourcing Policy Framework was updated to incorporate enhanced risk mitigation measures and to ensure alignment with regulatory expectations and best practices.
- The Compliance Policy was refined to strengthen regulatory governance and further embed a strong compliance culture across the organisation.
- The Annual Compliance Plan was implemented and closely monitored to ensure the timely execution of compliance initiatives and the proactive management of regulatory obligations.
- Compliance tests were conducted across branch operations to assess adherence to internal policies, regulatory requirements, and prescribed operating standards, thereby reinforcing operational discipline and accountability.
- Targeted training programmes were conducted on AML/CFT/CPF, and Financial Consumer Protection to enhance staff awareness, strengthen compliance capabilities, and reinforce a culture of regulatory adherence across the organisation.

# Integrated risk management and capital management

The Company adopts a prudent and forward looking approach to capital management, recognising the importance of maintaining a strong capital base to support its strategic objectives, absorb unexpected losses, and meet regulatory and stakeholder expectations.

The Board of Directors holds ultimate responsibility for the Company's capital management strategy, including the establishment of appropriate capital targets and ensuring compliance with regulatory capital adequacy requirements. Capital planning is integrated into the Company's strategic planning process and is subject to regular monitoring by Management and oversight by the BIRMC.

In managing its capital position, the Company places emphasis on maintaining adequate capital buffers aligned with its risk profile and risk appetite, supporting sustainable business growth, and ensuring resilience under adverse economic conditions. This is supported through a structured framework encompassing capital planning, stress testing, and the alignment of internal capital thresholds with regulatory requirements.

## Capital adequacy

Capital adequacy serves as a key measure of the Company's financial strength and its ability to absorb potential losses arising from its business activities. The Company computes and maintains its capital adequacy ratios in accordance with the Finance Business Act Direction No. 03 of 2018 on Capital Adequacy Requirements issued by the Central Bank of Sri Lanka.

These ratios are monitored on an ongoing basis to ensure compliance with regulatory minimum requirements, while maintaining internal buffers above the prescribed thresholds. The Company's capital levels are managed in line with its risk-weighted asset profile.

Following the amalgamation with Prime Finance PLC, the Central Bank of Sri Lanka granted regulatory relief by deferring the requirement to maintain the minimum Core Capital and Total Capital Ratios up to 31 May 2025. In response, the Company implemented a comprehensive Capital Augmentation Plan to restore and strengthen its capital base, including the successful raising of LKR 1,193.1 Mn. in Tier I capital through a Rights Issue, together with initiatives to enhance internal capital generation. Accordingly, the Company achieved a well-capitalised position as at 31 March 2025, with Core Capital and Total Capital Ratios of 11.38% and 14.44%, respectively, remaining above the regulatory minima of 8.50% and 12.50%.

During the financial year 2025/26, the Company recorded strong growth, with the loan book expanding by approximately 70% and total assets increasing by 61% to LKR 94.4 Bn. This growth resulted in a relative weakening of capital buffers against internally defined appetite levels. Notwithstanding this, the Company continued to maintain capital adequacy ratios above the prescribed regulatory thresholds.

In view of sustained growth momentum, strategic expansion initiatives, and the potential classification as a Domestic Systemically Important Licensed Finance Company (D-SILFC), which would entail additional capital surcharge requirements, the Board of Directors resolved to further strengthen the capital base through a Rights Issue amounting to LKR 2,499.5 Mn. The proposed capital raising has received approvals from the Central Bank of Sri Lanka, the Colombo Stock Exchange, and the shareholders, and is expected to be concluded in the near term, thereby restoring the Company's capital position to a well-capitalised level.



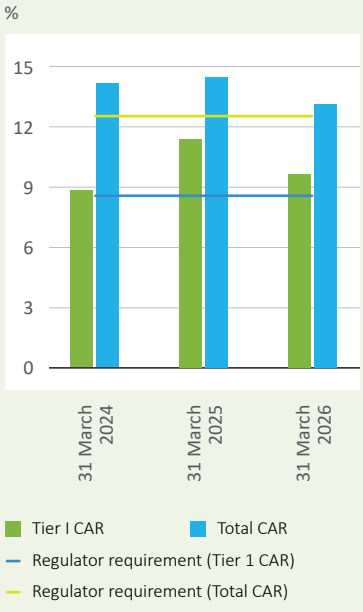
## Regulatory capital requirements

| Components of Capital | Regulatory Capital Requirement (%) | Company's Position as at | | | | | |
|---|---|---|---|---|---|---|---|
| | | 31 March 2026 | | 31 March 2025 | | 31 March 2024 | |
| | | % | LKR Mn. | % | LKR Mn. | % | LKR Mn. |
| Tier – 1 (Core) Capital | 8.50 | 9.61 | 7,669 | 11.38 | 5,798 | 8.81 | 3,615 |
| Total Capital | 12.50 | 13.07 | 10,430 | 14.44 | 7,359 | 14.10 | 5,784 |

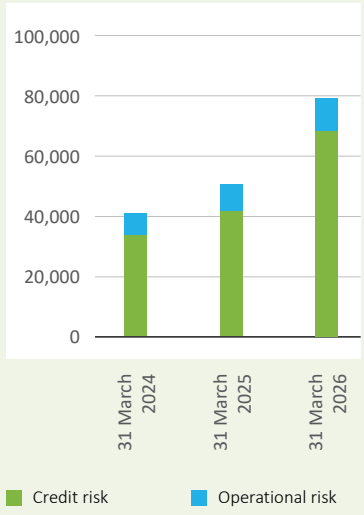
## Risk weighted assets and capital change

| | Risk Weighted Assets | | | Total Capital Required | | |
|---|---|---|---|---|---|---|
| | 31 March 2026 LKR Mn. | 31 March 2025 LKR Mn. | 31 March 2024 LKR Mn. | 31 March 2026 LKR Mn. | 31 March 2025 LKR Mn. | 31 March 2024 LKR Mn. |
| Credit Risk | 68,881 | 42,400 | 34,091 | 8,610 | 5,300 | 4,261 |
| Operational Risk | 10,919 | 8,546 | 6,935 | 1,365 | 1,068 | 867 |
| **Total** | 79,800 | 50,946 | 41,026 | 9,975 | 6,368 | 5,128 |

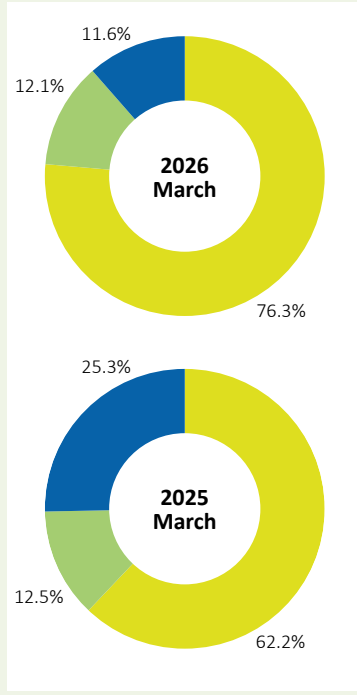
### Capital adequacy




### Risk weighted assets

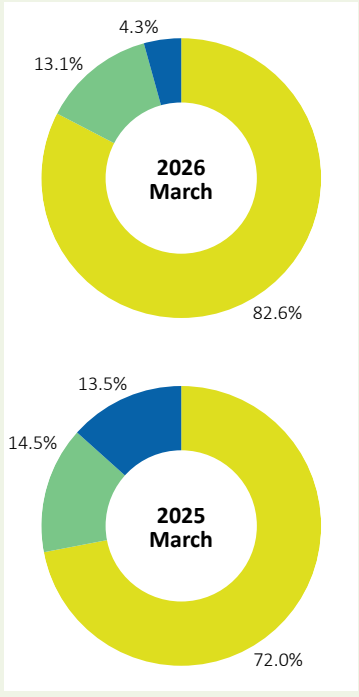



### Capital charge and buffer - tier 1 capital



# Risk Management Review

## Capital charge and buffer - total capital




## Internal Capital Adequacy Assessment Process (ICAAP)

As part of its integrated approach to risk and capital management, the Company has implemented an Internal Capital Adequacy Assessment Process (ICAAP) to assess the adequacy of its capital relative to its risk profile. In the absence of specific ICAAP guidelines applicable to Finance Companies, the Company has developed its ICAAP framework in alignment with the Banking Act Direction No. 01 of 2016 and Basel principles, thereby adopting internationally recognised best practices.

The ICAAP framework incorporates both Pillar I and Pillar II risks. Under Pillar I, the Company assesses capital requirements for credit and operational risks, while no capital charge is required for market risk as the Company does not maintain a trading portfolio. Under Pillar II, the Company evaluates a broader range of material risks that are not fully captured under Pillar I, including credit concentration risk, interest rate risk in the banking book, liquidity risk, residual credit risk, reputational risk, strategic risk, legal risk, compliance risk, model risk, environmental, social and governance (ESG) risk, and information and cyber risk. These risks are assessed using a combination of quantitative and qualitative methodologies to ensure that capital adequacy remains aligned with the Company's overall risk profile.

The ICAAP process incorporates a forward-looking capital planning horizon of three years, supported by financial projections and risk assessments. Stress testing forms an integral component of this process, with the Company conducting both macroeconomic and institution-specific stress scenarios to assess the resilience of its capital position under adverse conditions. The framework also includes defined capital thresholds and management action triggers to enable timely and proactive responses to potential capital stress situations.

Through the implementation and continuous enhancement of ICAAP, the Company ensures that its capital position remains aligned with its risk profile and strategic direction, thereby strengthening its ability to withstand economic shocks and support sustainable long-term growth.

## Capital stress testing

Stress testing forms an integral component of the Company's risk management and capital planning framework and is embedded within the ICAAP process. It serves as a forward-looking tool to assess the potential impact of adverse yet plausible stress scenarios on the Company's capital adequacy, earnings, and liquidity position.

The Company conducts stress testing by applying a range of company-specific, sectoral, and macroeconomic scenarios to evaluate its resilience under stressed conditions. These scenarios are designed to capture key risk drivers and assess the potential impact on capital and risk-weighted assets over the planning horizon. Stress testing includes both sensitivity analysis for individual risk factors and scenario analysis for combined and system-wide stress events.

The stress testing framework is guided by the 'Integrated Stress Testing Policy' of the Company and aligns with applicable regulatory principles and international best practices. It is closely integrated with capital planning and risk appetite, supporting the assessment of capital adequacy under both Pillar I and Pillar II risk considerations.

Stress testing results provide valuable insights into potential vulnerabilities and are used to inform strategic decision-making, capital allocation, and risk management actions. Stress outcomes also support the development of management action plans, including capital conservation and contingency measures, to ensure resilience under adverse conditions. The results are reported periodically to the BIRMC and the Board of Directors, facilitating effective oversight and informed decision-making.

Stress testing focused on the following key areas during the financial year 2025/26:

- Deterioration in credit quality
- Portfolio-level credit stress
- Concentration and large exposure risk
- Interest rate risk impacts
- Collateral value sensitivity
- Operational risk stress
- Integrated risk aggregation

## Credit risk

Credit risk is the potential for loss arising from a borrower or counterparty failing to meet its contractual obligations. It remains a principal risk for the Company, given its role as a financial intermediary and the scale and diversity of its lending activities.

The Company recognises that effective management of credit risk is fundamental to maintaining financial stability and supporting long-term sustainability. Accordingly, a strong credit risk culture is embedded across the organisation, supported by a structured Credit Risk Management Framework, policies, and control mechanisms. The key objectives of the Company's credit risk management framework are to:

- Establish sound principles, policies, and controls to guide credit risk-taking activities.
- Identify, assess, and measure credit risk across all business lines and product portfolios, at both individual and portfolio levels.
- Manage credit risk within the approved risk appetite while avoiding excessive concentrations.
- Continuously monitor exposures to ensure compliance with approved limits and control mechanisms.
- Align risk-taking with expected returns to achieve an optimal risk-return profile.

## Credit risk management strategy and processes

The Company adopts a structured and disciplined approach to credit risk management to ensure that credit exposures are prudently managed in alignment with its risk appetite, regulatory requirements, and strategic objectives. Effective credit risk management remains critical to preserving asset quality, maintaining financial stability, and supporting sustainable growth.

The Company's credit risk management framework is designed to optimise risk-adjusted returns while maintaining credit risk exposures within approved thresholds. This is supported through a combination of clearly defined policies, risk controls, and operational processes embedded across the credit lifecycle.

Key components of the Company's credit risk management strategy and processes include:

- **Risk Appetite and Concentration Management –** The Company establishes a clearly defined credit risk appetite and sets exposure limits to manage concentrations across borrowers, sectors, and collateral types, thereby mitigating undue risk accumulation.
- **Delegation of Authority and Credit Approval Framework –** Credit approval authority is assigned through defined delegation limits to ensure appropriate accountability and escalation. High-value credit facilities are subject to independent review by the Risk Management Department to strengthen the quality of credit decisions.
- **Credit Origination and Risk Assessment –** Credit exposures are evaluated at the point of origination using structured risk acceptance criteria and credit scoring models to assess the probability of default and ensure alignment with the Company's risk tolerance.
- **Independent Risk Oversight –** The Risk Management Department provides independent assessment and oversight of credit risk exposures, supporting informed decision-making and ensuring adherence to approved policies and limits.
- **Loan Review Mechanism (LRM) –** A structured Loan Review Mechanism is in place to assess asset quality, validate underwriting standards, and identify emerging risks. The outcomes of LRM reviews are incorporated into policy enhancements and risk management practices.
- **Portfolio Monitoring and Large Exposure Management –** Credit risk is continuously monitored at both portfolio and individual exposure levels, with particular emphasis on large exposures, to identify early warning signals and ensure timely corrective actions.
- **Ongoing Risk Monitoring and Control –** The Company maintains continuous oversight of credit exposures through regular monitoring processes to ensure compliance with internal limits, policy requirements, and alignment with the overall credit risk strategy.

## Managing delinquent loans and impairment process

Maintaining asset quality remains a key priority within the Company's risk management framework. The Company adopts a structured and proactive approach to managing delinquent exposures, supported by continuous monitoring, early identification of credit deterioration, and timely implementation of remedial actions. The Recoveries Department exercises dedicated oversight of the lending portfolio to ensure effective management of problem accounts and preservation of asset quality.

The Company manages its credit exposures in accordance with the three-stage impairment model prescribed under SLFRS 9, as outlined below:

- **Stage 1:** Represents performing exposures that have not experienced a significant increase in credit risk since initial recognition. These exposures are subject to a 12-month Expected Credit Loss (ECL) assessment.
- **Stage 2:** Represents exposures that have experienced a significant increase in credit risk but are not yet credit-impaired. These are assessed based on Lifetime ECL, reflecting potential default events over the remaining life of the exposure.
- **Stage 3:** Represents credit-impaired exposures where objective evidence of default or financial distress exists. These exposures are also subject to Lifetime ECL and represent the highest risk segment of the portfolio.

# Risk Management Review

A structured and segmented recovery approach is adopted across the three stages to ensure effective portfolio management. The Stage 1 portfolio is managed through proactive monitoring and customer engagement to maintain repayment discipline and prevent migration to higher-risk categories. The Stage 2 portfolio is subject to intensified monitoring and targeted recovery actions, including field-level engagement, with a focus on stabilising exposures and facilitating upgrades to performing status where feasible. The Stage 3 portfolio is managed by specialised recovery teams focused on maximising recoveries from non-performing exposures through restructuring and rehabilitation measures, with legal action and collateral realisation pursued as measures of last resort.

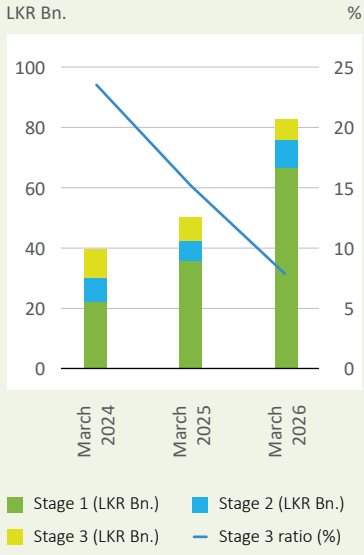
The Company's credit risk management practices are further supported by robust credit appraisal processes, risk-based loan reviews, and continuous portfolio monitoring mechanisms, enabling early identification of emerging risks and timely corrective action. The Loan Review Mechanism (LRM) is utilised to assess asset quality and strengthen underwriting standards and internal controls.

During the financial year 2025/26, the credit quality of the portfolio improved compared to the previous year, supported by enhanced monitoring, early warning mechanisms, and proactive recovery strategies. The Stage 3 ratio reduced to 7.9% as at 31 March 2026, compared to 15.2% as at 31 March 2025, while the Stage 3 coverage ratio strengthened to 77.8%, compared to 59.1% in the previous year, reflecting improved provisioning levels and a prudent approach to credit risk management.

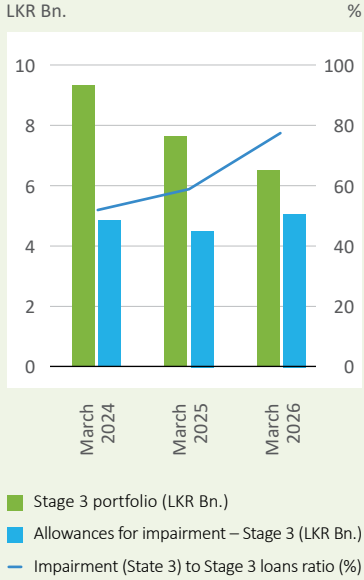
Impairment provisions are recognised in accordance with SLFRS 9 using both individual and collective assessment methodologies. Individually significant exposures are assessed on a case-by-case basis, while the remaining portfolio is evaluated collectively based on shared risk characteristics. At each reporting date, the Company assesses whether objective evidence of impairment exists and recognises the corresponding Expected Credit Loss in the Income Statement.

Through this disciplined approach, the Company ensures prudent recognition of credit losses, effective management of delinquent exposures, and the preservation of overall portfolio quality in line with its risk management objectives.

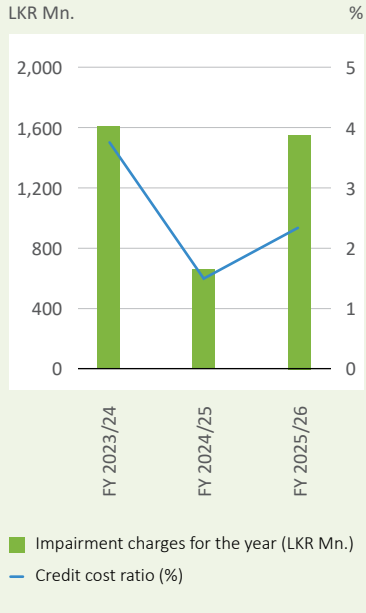
## Stage analysis of loans and advances




## Impairment (Stage 3) to Stage 3 loans ratio




## Impairment charges and credit cost ratio




## Concentration risk

Credit concentration risk arises from an uneven distribution of exposures across individual borrowers, industry sectors, products, or geographic regions, which may increase the Company's vulnerability to adverse developments affecting those segments. Such concentration can expose the Company to heightened losses in the event of borrower defaults, sector-specific downturns, or regional economic disruptions.

The Company manages concentration risk through a structured and disciplined approach, supported by clearly defined exposure limits and diversification strategies. The Board-approved Risk Appetite Statement establishes thresholds for exposures to single borrowers, industry sectors, and other concentration dimensions, which are closely monitored to ensure alignment with the Company's overall risk tolerance.

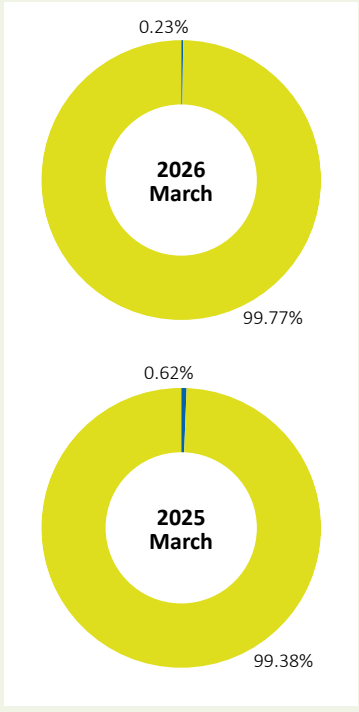
The loan portfolio is proactively diversified across industries, products, and customer segments to mitigate the potential impact of stress events affecting any

single segment. In addition to regulatory requirements, the Company also applies internal limits, where necessary, to strengthen the control environment and support prudent risk management.

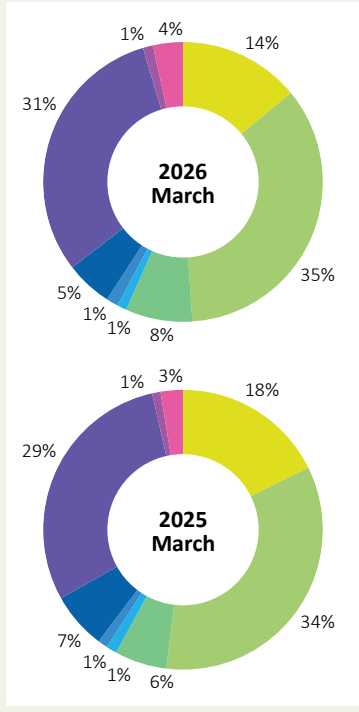
The Risk Management Department conducts continuous monitoring and detailed analysis of concentrations, including name, sector, geographical and product exposures, to identify emerging risks and areas of elevated vulnerability. This is complemented by periodic stress testing of the portfolio to assess the impact of adverse scenarios and to support timely management action.

Concentration risk is further assessed under Pillar II of the ICAAP framework. The Company utilises quantitative measures, including the Herfindahl-Hirschman Index (HHI), to evaluate the level of portfolio concentration and determine appropriate capital buffers to mitigate potential losses arising from such risks.

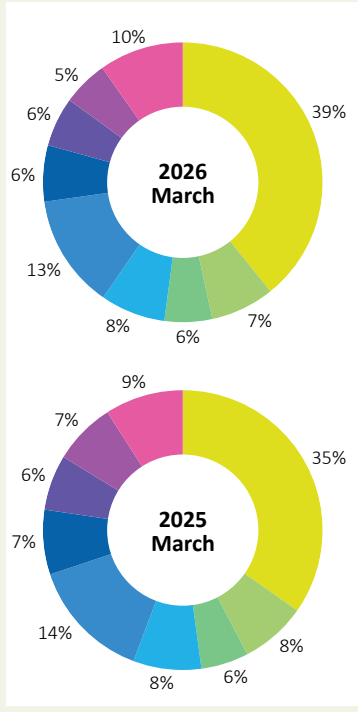
## Exposure to large borrowers (>1% of core capital)




## Sector Concentration

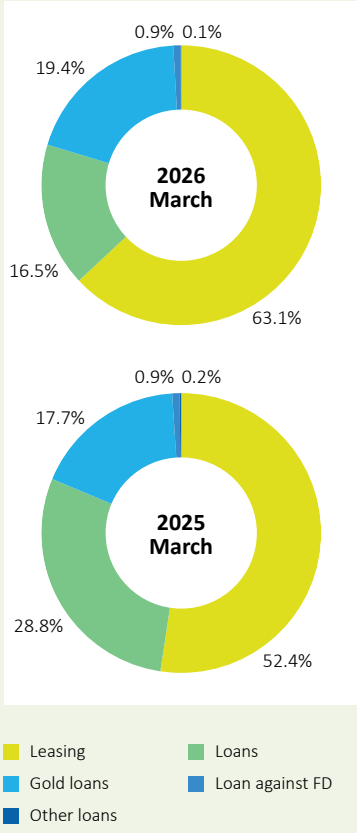



## Geographical Concentration



## Risk Management Review

### Product concentration




# Market risk

Market risk refers to the potential for adverse impacts on the Company's financial performance arising from movements in key market variables, particularly interest rates and asset-related prices. In the context of the Company's business model, market risk primarily arises from fluctuations in interest rates and collateral values, including gold and vehicle prices, which influence lending exposures, asset quality, and recovery outcomes.

Although the Company does not engage in trading or speculative activities and does not maintain a trading portfolio, market-driven movements remain relevant due to their indirect effect on earnings, borrower behaviour, and collateral adequacy. Accordingly, market risk management focuses on mitigating the impact of such external factors on the Company's balance sheet and financial performance.

The Board of Directors, with the support of the BIRMC, is responsible for establishing the Company's market risk strategy and risk appetite. Implementation of the Board-approved strategy is overseen by the Asset and Liability Committee, which monitors exposures, reviews key risk indicators, and ensures alignment with approved limits and business objectives.

The Risk Management Department independently measures and monitors market risk exposures on a periodic basis. Market developments, including changes in interest rates and collateral values, are closely analysed to assess their potential impact on earnings, liquidity, and overall risk profile.

The Company employs sensitivity analysis and stress testing as key risk management tools to evaluate the impact of adverse market movements on financial performance, asset quality, and capital adequacy. These analyses support proactive decision-making, including pricing strategies, balance sheet adjustments, and risk mitigation actions.

Through this structured approach, the Company ensures that market risk exposures are effectively identified, monitored, and managed within its defined risk appetite, thereby supporting financial stability and informed strategic decision-making.

## Interest rate risk

Interest rate risk remains a key component of the Company's market risk exposure, arising from adverse movements in market interest rates that may impact earnings and, to a lesser extent, the economic value of equity. Given the nature of the Company's operations, interest rate risk primarily arises from banking book exposures and mainly affects net interest income and overall profitability.

The Company manages interest rate risk through a structured Asset and Liability Management framework under the oversight of the Asset and Liability Committee. Interest rate risk is assessed through the analysis of repricing gaps between interest-sensitive assets and liabilities, enabling the identification of mismatches and their potential impact on earnings.

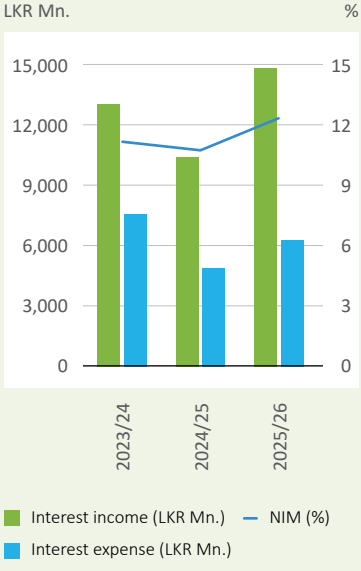
Interest rate risk is further evaluated using sensitivity analysis and scenario-based stress testing, including Earnings at Risk (EaR) measures, to assess the impact of interest rate movements on income streams and capital position. As part of this process, the Company conducts regular stress testing using standardised parallel interest rate shocks to evaluate potential earnings volatility. The shocks applied include downward and upward movements of -6%, -4%, -2% and +2%, +4%, and +6%, enabling a comprehensive assessment of resilience under varying interest rate conditions.

Key risk drivers include repricing mismatches between assets and liabilities, customer behaviour such as early settlements and deposit withdrawals, and the re-pricing characteristics of financial instruments. Accordingly, the Company applies both quantitative and qualitative assessments to ensure these risk factors are appropriately considered in managing interest rate risk.

The ALCO continuously monitors interest rate movements, repricing gaps, and earnings sensitivity to ensure exposures remain within the Company's defined risk appetite. Based on its assessments, ALCO recommends appropriate actions relating to pricing, tenor structures, and funding mix to mitigate potential adverse impacts.

During the financial year, the Company's Net Interest Margin improved to 12.3%, compared to 10.9% in the previous year, reflecting disciplined balance sheet management, effective repricing strategies, and a gradual stabilisation of the interest rate environment.

### Interest income, expense and net interest margin



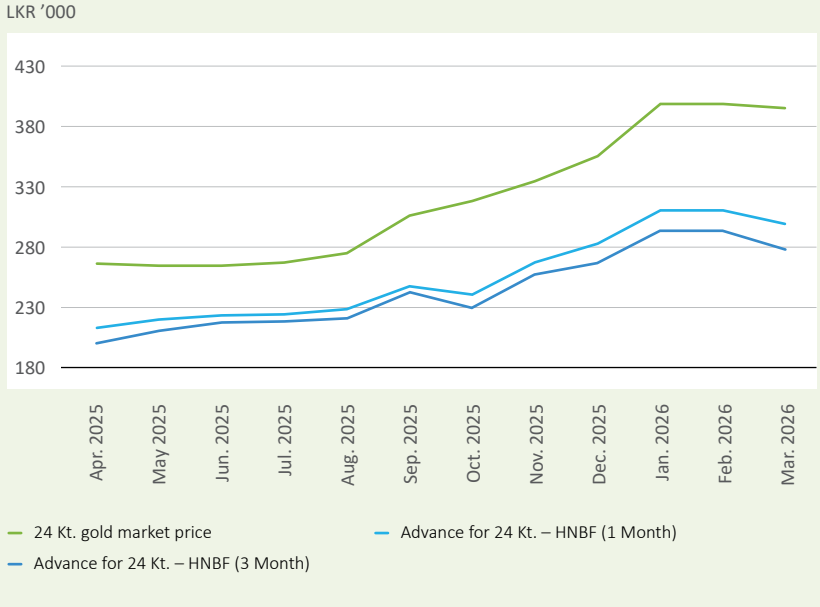

## Commodity price risk

Commodity price risk refers to the potential adverse impact on the Company's financial performance arising from fluctuations in commodity prices. The Company's exposure is primarily through its gold-backed lending portfolio, where collateral values are directly linked to movements in market gold prices. During the financial year 2025/26, gold price volatility remained significantly elevated, driven by a combination of geopolitical tensions, sustained central bank gold purchases, and market expectations of further U.S. Federal Reserve rate adjustments. These factors contributed to notable fluctuations in both global and domestic markets, directly affecting the LTV position of gold-backed advances and increasing the risk of under-collateralisation in the event of sharp price declines.

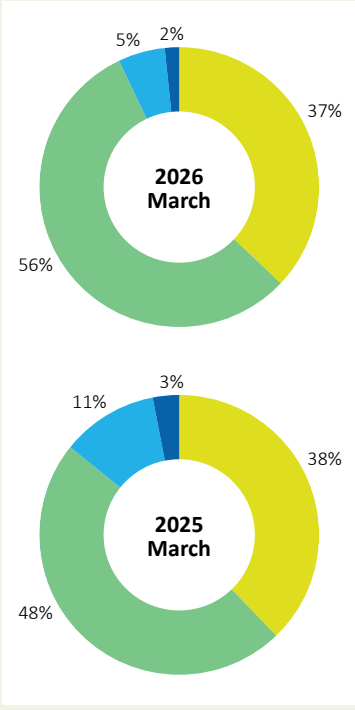
The Company manages this risk through a structured and prudent approach, including the application of conservative LTV ratios to ensure adequate collateral coverage under varying market conditions. In response to heightened volatility, strategic emphasis was placed on short-tenure gold loan products, typically ranging from one to three months, enabling more frequent collateral revaluation and improved responsiveness to market movements. This approach supports tighter control over exposures and enhances the Company's ability to mitigate potential risks arising from price fluctuations.

Commodity price risk is further mitigated through continuous monitoring and stress testing. The Company conducts monthly stress testing using adverse scenarios, including sudden declines in gold prices and exchange rate movements arising from LKR appreciation against the USD, to assess the impact on collateral values and LTV levels. In addition, the impact of these scenarios on the Company's capital adequacy position is regularly evaluated by incorporating changes in profitability and risk-weighted assets, ensuring that adequate capital buffers are maintained under stressed conditions.

### Gold prices movements and advances (24 Kt.)



## Gold loan tenor analysis




## Liquidity Risk

Liquidity risk represents the risk that the Company may be unable to meet its financial obligations as they fall due, without incurring unacceptable losses or funding costs. The Company adopts a prudent and disciplined approach to liquidity management to ensure the availability of adequate funding under both normal and stressed conditions. This approach supports financial resilience, operational continuity, and the maintenance of stakeholder confidence, while aligning with regulatory requirements and the Company's overall risk appetite.

Liquidity risk management is governed through a structured framework with clearly defined roles and responsibilities across key committees and functions.

| Department/Committee | Responsibilities in Managing Liquidity Risk |
|---|---|
| ALCO | The Asset and Liability Committee provides overall oversight of the Company's liquidity risk management strategy. It monitors liquidity exposures, reviews maturity profiles of assets and liabilities, assesses key liquidity ratios and funding gaps, and ensures alignment with the Board-approved risk appetite. ALCO also recommends appropriate strategies relating to funding structure, liquidity buffers, and mitigation actions. |
| Treasury Division | The Treasury Division is responsible for the day-to-day management of liquidity. This includes forecasting cash flow requirements, managing funding sources, maintaining adequate liquidity buffers, and ensuring compliance with regulatory requirements. The division actively coordinates with business units to align funding strategies with operational and strategic needs. |
| Risk Management Department | The Risk Management Department independently monitors and measures liquidity risk exposures on a continuous basis. It reviews adherence to regulatory and internal limits, conducts liquidity risk assessments and stress testing, and provides oversight on the effectiveness of risk management practices and mitigation strategies. |

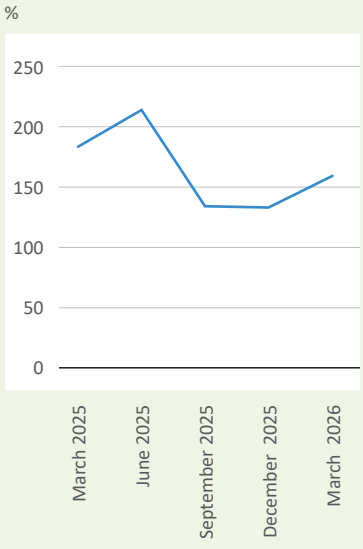
The Company maintains an adequate level of unencumbered liquid assets to support its operational and strategic requirements. These assets can be readily liquidated or pledged to meet financial obligations as they arise. The Treasury Division plays a central role in the day-to-day management of liquidity by forecasting cash flow requirements in close coordination with the Deposits, Credit, and Recoveries Divisions, and determining appropriate liquidity levels based on these assessments.

In line with best practices, the Company adopts a combined stock and flow approach to measure and manage liquidity risk. The stock approach evaluates the Company's static liquidity position through key balance sheet ratios against established risk appetite thresholds. The flow approach focuses on projecting and managing cash inflows and outflows over varying time horizons, enabling the identification of potential liquidity gaps. This integrated approach enhances the Company's ability to meet short-term obligations, anticipate emerging liquidity risks, and maintain adequate liquidity buffers.

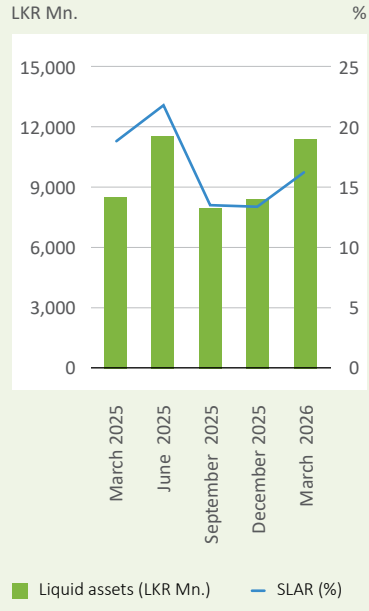
## Net loans to total assets




## Statutory liquid asset coverage ratio




## Liquid assets and SLAR




## Contingent funding arrangements

To strengthen its liquidity risk management framework, the Company maintains a comprehensive Contingent Funding Plan in line with its Board-approved Treasury Policy. This plan outlines alternative funding sources and liquidity-raising options that can be deployed during periods of stress. The adequacy and effectiveness of these arrangements are periodically reviewed under the oversight of ALCO and are subject to regular testing to ensure that funding sources remain accessible without restriction. Updates on the status and effectiveness of contingency arrangements are reported to the BIRMC and the Board of Directors to support proactive oversight and timely decision-making.

## Liquidity stress testing

Stress testing forms a critical component of the Company's liquidity risk management framework and is used to assess the Company's ability to withstand adverse liquidity conditions. The Company conducts periodic stress testing using a range of severe but plausible scenarios, including unexpected deposit outflows, reduced deposit renewal rates, and concentration-driven funding shocks.

The impact of stress scenarios is assessed against key liquidity indicators, including the Statutory Liquid Asset Ratio, as well as the Company's overall funding position. Stress testing outcomes provide insights into potential liquidity vulnerabilities and support the formulation of management actions, including liquidity buffer adjustments and funding strategy enhancements. The results are reported periodically to ALCO, BIRMC, and the Board of Directors, facilitating effective oversight and informed decision-making.

Stress testing focused on the following key scenarios during the financial year 2025/26:

- Unexpected decline in deposit base
- Pre-mature withdrawal of deposits by large customers
- Non-renewal of maturing deposits by large depositors
- Decline in deposit renewal rates

## Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. This includes risks arising from fraud, legal and regulatory issues, information security threats, and the operational complexities associated with outsourcing and third-party arrangements.

The Company adopts a structured and proactive approach to managing operational risk through a comprehensive Operational Risk Management (ORM) Framework, supported by Board-approved policies and clearly defined governance arrangements. Responsibility for operational risk management is embedded across business units, with independent oversight provided by the Risk Management Department under the guidance of the BIRMC. This ensures that operational risk considerations are integrated into day-to-day business activities and decision-making processes.

To support effective identification, measurement, monitoring, and control of operational risk, the Company employs a suite of integrated tools and techniques:

(1) Risk and Control Self-Assessment (RCSA)

The RCSA process is conducted periodically across business units, products, outsourced services and other critical functions to identify key operational risks and assess the effectiveness of existing controls. During the financial year 2025/26, the Company further strengthened the RCSA framework, including the implementation of a more detailed assessment for Information Security risks, enhancing coverage and depth in this critical risk area. Action plans arising from RCSA exercises are closely monitored to ensure timely mitigation of identified risks.

(2) Key Risk Indicators (KRIs)

KRIs are utilised as early warning tools to monitor potential increases in risk exposures. During the year, the Company enhanced its KRI framework by expanding the scope of reporting items and refining thresholds, enabling more effective monitoring and timely management intervention.

(3) Operational Loss Data Collection and Analysis

The Company maintains a centralised database to capture and monitor operational loss events across branches and support functions. Losses are classified based on Basel event-type categories and analysed to identify emerging trends, support risk assessments, and strengthen internal controls and processes.

(4) Root Cause Analysis (RCA)

The RCA framework was further formalised during the year, incorporating structured methodologies such as the 5 Whys Analysis for single-cause events and Bowtie Analysis for complex or interrelated incidents. This enables deeper analysis of underlying causes and supports targeted corrective actions to prevent recurrence.

(5) Risk Review of New Products and Processes

A formal risk evaluation process is applied prior to the introduction of new products, services, and process changes, ensuring that operational risks are proactively identified and mitigated in line with the Company's risk appetite.

(6) Scenario Analysis

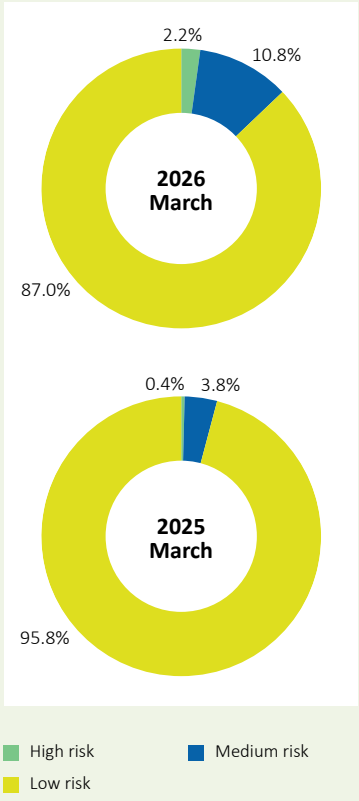
Scenario analysis is conducted to assess the potential impact of hypothetical but plausible operational risk events, supporting preparedness, control enhancements, and capital assessment under stressed conditions.

In addition to these tools, the Company further strengthened its reporting methodologies during the year, enhancing the quality, consistency, and timeliness of operational risk reporting to management committees and the Board. Operational Risk Dashboards are reviewed at monthly ERMC meetings and at BIRMC meetings, which are held every two months, ensuring continuous oversight of operational risk exposures. These dashboards provide comprehensive insights, including employee turnover statistics, summaries of operational loss events, potential losses, near-miss incidents, and gain events, classified in accordance with Basel operational risk event types. They also incorporate trend analysis, loss recovery assessments, and the outcomes of root cause analysis for significant operational loss events. The dashboards presented to the BIRMC are subsequently shared with the Board of Directors for their information.

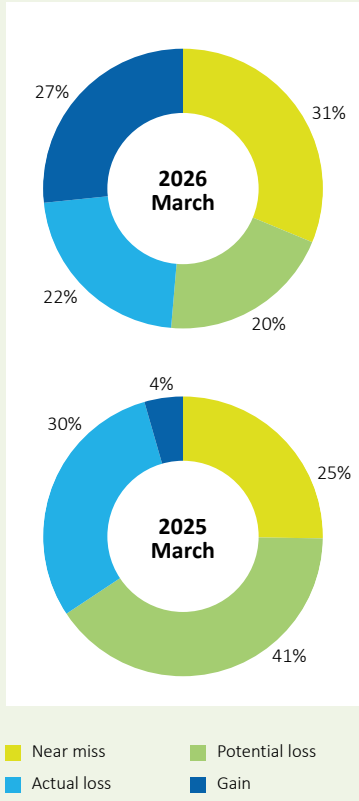
The Company also continued to invest in staff awareness and capability development, conducting targeted training programmes on key operational risk areas, including RCSA, Business Continuity Planning, Business Impact Analysis, and operational risk reporting mechanisms. These initiatives support the development of a strong risk culture and enhance the organisation's ability to identify and manage operational risks effectively.

In addition, operational risk stress testing is conducted as part of the ICAAP framework by assuming an increase in operational loss events under stressed scenarios to quantify the potential impact on Tier I and Total Capital Adequacy Ratios. Through these integrated measures, the Company ensures that operational risks are proactively identified, assessed, and managed, thereby strengthening internal controls, enhancing resilience, and supporting the achievement of its strategic objectives.

## Summary of risk and control self assessment




## Total loss events (Event-wise)




## Business continuity planning and disaster recovery

Business Continuity Planning and Disaster Recovery form integral components of the Company's operational resilience framework, enabling the continuation of critical business functions in the event of disruptions. The Company maintains a comprehensive BCP framework to ensure preparedness for operational, technological, and external disruption events. The BCP Policy is reviewed and approved annually by the Board of Directors to ensure its continued relevance, adequacy, and alignment with evolving risk conditions.

During the financial year, the Company further strengthened its BCP framework by enhancing key areas, including BCP and DR activation criteria, BCP activation (switch) protocols, DR site activation procedures, criteria for determining Recovery Time Objectives and Recovery Point Objectives, system criticality assessments, and post-incident and post-exercise review mechanisms. These enhancements support clearer decision-making during disruption events and improve the effectiveness of recovery processes.

Oversight of BCP is provided by the Business Continuity Planning Working Committee, chaired by the Managing Director/CEO, with the participation of senior management, including the CRO. The Company has performed a comprehensive Business Impact Analysis to identify critical business and support functions, establish recovery priorities, and define appropriate RTO and RPO benchmarks to minimise operational disruption.

The Company conducts periodic BCP and DR testing to assess the robustness and readiness of its recovery capabilities. During the year, a full-scale BCP and DR drill was conducted, including extended operations from designated disaster recovery infrastructure to validate system resilience and operational continuity. In addition, targeted system simulations and recovery exercises were carried out to test specific components of the recovery environment. The outcomes of these exercises, including test results, observations, lessons learned, and corrective actions, were reviewed and reported to the BIRMC and the Board of Directors.

To further strengthen preparedness, staff awareness and readiness were enhanced through structured training programmes, including participation in BCP drills, system recovery exercises, and emergency response activities. Where

relevant, evacuation drills and coordination with external emergency services were conducted to ensure effective response to physical disruptions and enhance organisational preparedness.

The entire BCP and DR framework, including testing processes, is subject to independent review by the Internal Audit Department, with findings reported to the Board Audit Committee.

## Legal risk

Legal risk represents the potential for financial or reputational loss arising from inadequate or improperly executed contracts, absence of enforceable agreements, non-compliance with applicable laws and regulations, or uncertainty in litigation outcomes. It encompasses risks related to contractual arrangements, regulatory obligations, policy compliance, and legal proceedings.

The Company manages legal risk through a structured framework supported by its Legal and Compliance functions, which work closely with business units to ensure that contractual documentation and transactions are aligned with applicable legal and regulatory requirements. Regular reviews and ongoing engagement with business units support the identification and mitigation of legal exposures.

Legal risk is assessed under Pillar II of the ICAAP framework using a structured scorecard approach. Based on this assessment, appropriate capital charges are allocated to ensure that adequate capital buffers are maintained against potential legal risk exposures.

## Compliance risk

Compliance risk refers to the risk of legal or regulatory sanctions, financial loss, or reputational damage arising from non-compliance with applicable laws, regulations, internal policies, and codes of conduct.

The Compliance function operates as an independent second line of defence and reports functionally to the BIRMC. It is responsible for monitoring regulatory developments, assessing compliance risks, and supporting business units in embedding regulatory requirements into their operations. Particular focus is placed on Anti-Money Laundering and Countering the Financing of Terrorism compliance.

The Company promotes a strong compliance culture through structured monitoring processes, reporting mechanisms, and staff awareness programmes, supported by a comprehensive Code of Ethics and governance framework.

Compliance risk is assessed under Pillar II of the ICAAP framework using a structured scorecard approach, with appropriate capital charges allocated to reflect the Company's exposure to regulatory and compliance risks.

## Information and cyber risk

Information and cyber risk refers to the risk of financial loss, operational disruption, or reputational damage arising from failures in information systems, cyber threats, or breaches of data security and confidentiality.

The Company manages this risk through a structured governance framework involving the Technology Division and the Information Security function, which oversee the implementation of controls, monitoring mechanisms, and cybersecurity practices to safeguard critical information assets.

During the year, the Company strengthened its cybersecurity posture through enhancements to its information security infrastructure, including Advanced Threat Prevention, Endpoint Detection and Response, Multi-Factor Authentication, and the implementation of Data Loss Prevention and Information Rights Management solutions.

Information and cyber risk is assessed under Pillar II of the ICAAP framework using a structured scorecard approach, with capital charges allocated to ensure sufficient capital buffers are maintained against potential technology and cyber risk exposures.

## Strategic risk

Strategic risk refers to the potential impact on earnings, capital, or long-term sustainability arising from ineffective strategic decisions, inadequate execution, or the inability to respond to changes in the external operating environment.

The Board of Directors is responsible for setting the Company's strategic direction, supported by a rolling strategic plan and annual budget. Strategic objectives are translated into key performance indicators and cascaded across the organisation for execution, with performance monitored regularly by management and the BSIRC.

Variances from planned targets are analysed and corrective actions are implemented as necessary, while ongoing monitoring of external developments supports timely strategic adjustments.

Strategic risk is assessed under Pillar II of the ICAAP framework using a structured scorecard approach, with capital charges allocated to reflect potential exposure to strategic risks and ensure resilience against adverse business outcomes.

## Reputational risk

Reputational risk arises from adverse perceptions of the Company by customers, investors, regulators, and other stakeholders, which may negatively impact financial performance, market confidence, and brand value.

The Company places strong emphasis on safeguarding its reputation through ethical conduct, sound governance, and customer-centric practices. Reputational risk is managed through continuous stakeholder engagement, active monitoring of media channels, and a structured customer complaint management framework to ensure timely resolution of issues.

The Company's governance framework—including the Code of Ethics, Anti-Bribery and Anti-Corruption Policy, Communication Policy, and Whistleblowing Policy—supports transparency, accountability, and integrity.

Reputational risk is assessed under Pillar II of the ICAAP framework using a structured scorecard approach, with capital charges allocated to ensure appropriate capital buffers are maintained against potential reputational impacts.

## Environmental, social and governance (ESG) risk

The Company adopts an integrated approach to managing Environmental, Social, and Governance (ESG) risks, recognising their importance in sustaining long-term value and stakeholder confidence.

Environmental risk management focuses on reducing environmental impact through efficient resource utilisation, energy conservation, and monitoring of emissions. Social risk management includes responsible lending practices, community engagement, and progressive human resource initiatives. Governance risk is managed through strong corporate governance practices that promote transparency, accountability, and ethical conduct.

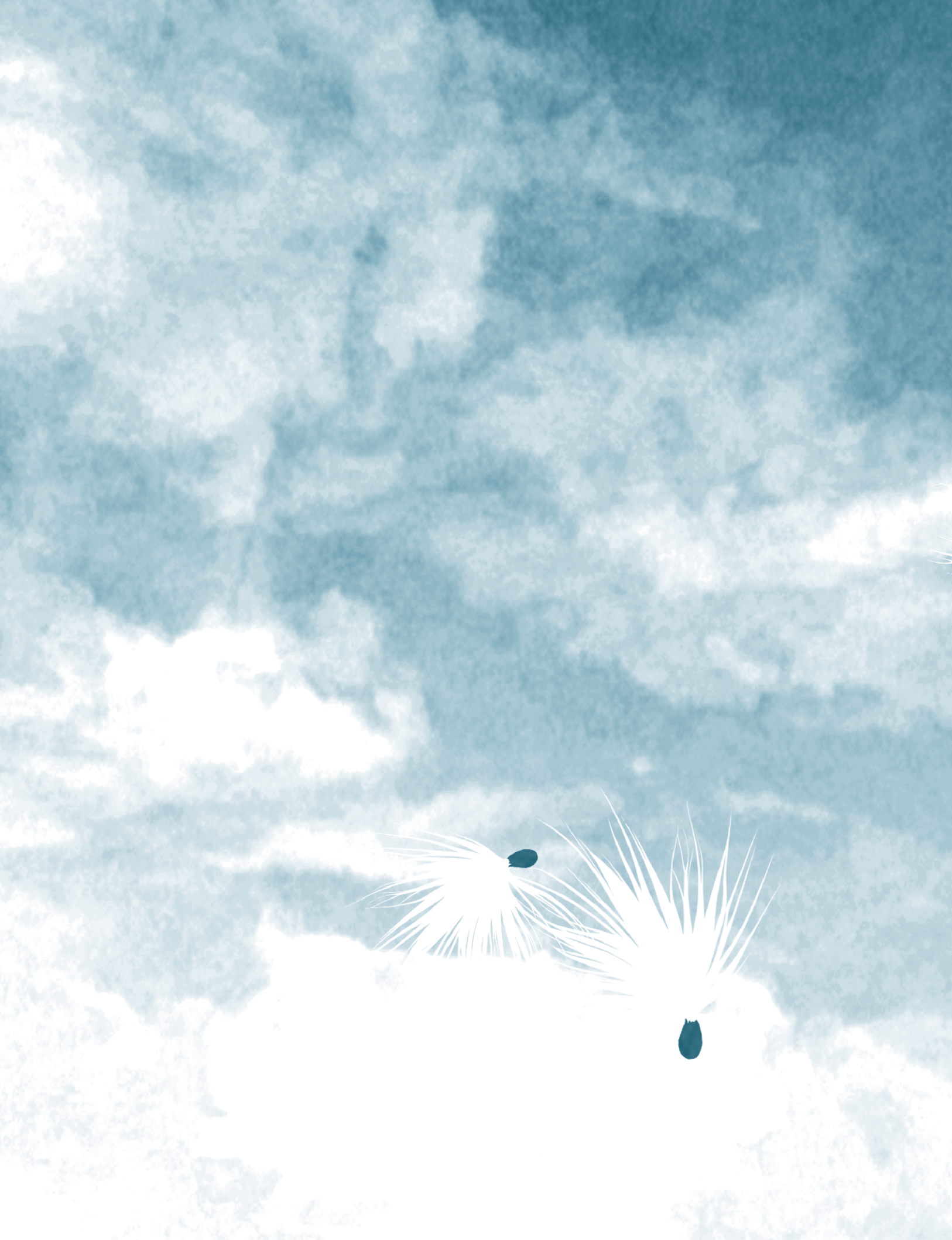
The Company continues to enhance its ESG risk management framework, including improved identification, assessment, and monitoring of ESG-related risks and opportunities, as well as consideration of indirect impacts such as financed emissions.

ESG risk is assessed under Pillar II of the ICAAP framework using a structured scorecard approach, with appropriate capital charges allocated to reflect the Company's exposure to ESG-related risks and to support long-term sustainability.









6

# Financial Reports


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# Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of HNB Finance PLC (the Company) as at 31 March 2026 is prepared and presented in conformity with the following requirements:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), inclusive of any updates and amendments applicable for the financial year 2025/26;
- Companies Act No. 07 of 2007, and amendments thereto;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Directions issued to Licensed Finance Companies by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011, and amendments thereto;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka

The Company presents Interim Financial Statements to shareholders on a quarterly basis in compliance with the Listing Rules of the Colombo Stock Exchange.

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company. The material accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Board Audit Committee and external auditors. Comparative information has been reclassified wherever necessary to comply with the current presentation. There are no departures from the prescribed accounting standards in their adoption.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these 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 are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

To ensure, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Company's Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

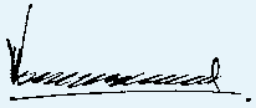
The Board Audit Committee of the Company meets periodically with the internal audit team and the independent external auditor to review their audit plans, assess the manner in which the auditors are performing their responsibilities, and to discuss their reports on internal controls and financial reporting issues, the details of which are given in the "Board Audit Committee Report" on pages 248 to 250 of this Annual Report.

The financial statements of the Company for the year ended 31 March 2026 were audited by Messrs KPMG, Chartered Accountants, the independent external auditors. Their report is given in pages 311 to 314.

We confirm that the Company has complied with all applicable laws, regulations and prudential requirements and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting business.



**Palitha Abeysekera**
Chief Financial Officer



**Chaminda Prabhath**
Chief Executive Officer/CEO

5 June 2026
Colombo

# Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of HNB Finance PLC ("HNBF" or "the Company") has pleasure in presenting this Report to the Shareholders of the Company together with Audited Financial Statements for the Financial Year ended 31 March 2026 and the Independent Auditor's Report on those Financial Statements, conforming to the relevant statutory requirements. The details set out herein provide appropriate information required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and subsequent amendments thereto, Finance Business Act (Corporate Governance) Directions No. 05 of 2021 read together with Finance Companies (Corporate Governance) Directions No. 03 of 2008 (as amended), the Listing Rules of the Colombo Stock Exchange and recommended Best Practices on Corporate Governance. This Financial Statements of the Company were reviewed and approved by the Board of Directors on 5 June 2026. The Annual Report of the Board of Directors on the Affairs of the Company has been expanded to enlarge disclosures on Company's Corporate Governance Practices. A more detailed Report on Corporate Governance forms part of the suite of reports produced by the Company and is included in this Report.

## 1. About the Company

HNB Finance PLC is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 and was incorporated as a Public Limited Liability Company on 20 December 1999 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the provisions of the Companies Act No. 07 of 2007 on 5 May 2009. The Re-registration Number of the Company was PB 965. Upon listing the Company on the Colombo Stock Exchange in 2020, the status of the Company was changed from a Public Limited Company to a Public Listed Company. Consequently, the Company's registration number was changed to PB 965 PQ. Moreover, the Company is registered under the Finance Leasing Act No. 56 of 2000 to carry out the finance leasing business.

The Company's ordinary shares (both voting and non-voting) are listed on the Colombo Stock Exchange. The Initial Public Offering (IPO) via an Offer for Sale on the Colombo Stock Exchange was oversubscribed by 32% on its opening day of 17 February 2020.

The Company has been affirmed a national long-term rating at A(lka) Stable Outlook by Fitch Ratings Lanka Limited.

HNB Finance PLC amalgamated with Prime Finance PLC on 12 May 2022.

The Registered Office and Head Office of the Company is located at No. 168, Nawala Road, Nugegoda.

## 2. Statutory disclosures

In terms of Section 168 of the Companies Act No. 7 of 2007, the following information is disclosed in the Annual Report prepared for the year under review.

| No. | Disclosure Requirement | Reference to the Companies Act No. 07 of 2007 | Disclosure reference for compliance | Page |
|---|---|---|---|---|
| 1. | The nature of the business of the Company | Section 168 (1) (a) | About HNBF | 5 |
| 2. | Signed Financial Statements of the Company for the accounting period under review | Section 168 (1) (b) | The Financial Statement of the Company for the year ended 31 March 2026 | 315 |
| 3. | Auditor's Report on Financial Statements of the Company | Section 168 (1) (c) | Independent Auditor's Report | 311 |
| 4. | Changes in Accounting Policies during the accounting period | Section 168 (1) (d) | Changes in material accounting policies | N/A |
| 5. | Particulars of entries in the Interests Register made during the accounting period | Section 168 (1) (e) | Corporate Governance Report – Conflict of Interest | 235 |
| 6. | Remuneration and other benefits paid to the Directors during the accounting period | Section 168 (1) (f) | Corporate Governance Report | 389 |
| 7. | Total amount of donations made by the Company during the accounting period | Section 168 (1) (g) | Note 12 – Other Operating expenses | 334 |

# Annual Report of the Board of Directors on the Affairs of the Company

| No. | Disclosure Requirement | Reference to the Companies Act No. 07 of 2007 | Disclosure reference for compliance | Page |
|---|---|---|---|---|
| 8. | Information on Directorate of the Company at the end of the accounting period and ceased to be directors during the accounting period | Section 168 (1) (h) | Annual Report of the Board of Directors on the Affairs of the Company & Governance Report | 293 |
| 9. | Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period as a separate disclosure | Section 168 (1) (i) | Note 12 – Other Operating expenses | 334 |
| 10. | Auditor's relationship or any interest with the Company | Section 168 (1) (j) | Board Audit Committee Report | 248 |
| 11. | Annual Report of the Board of Directors on the Affairs of the Company to be signed on behalf of the Board by two Directors and the Company Secretary | Section 168 (1) (k) | Complied With | |

## 3. Vision, mission and corporate conduct

The Company's Vision and Mission are given on page 5 of this Annual Report. In achieving its set goals and objectives, all Directors, Management, and employees conduct their activities to the highest level of ethical standards and integrity as set out in Company's Corporate Code of Conduct and Ethics, which has been communicated to employees and received written acknowledgment from them that they have gone through the same. Further, the Corporate Code of Conduct and Ethics is accessible in the Company's HCM System, and a summarised version is available on the intranet.

## 4. Principal activities and nature of operations

The Company's principal activities during the period were providing microfinance facilities, finance leases, vehicle loan facilities, mortgage loans, gold loans, housing financial solutions, other credit facilities, acceptance of fixed deposits, maintenance of savings accounts and value-added services to the finance sector. There were no significant changes in the nature of the principal activities of the Company during the period under review. It is further declared that the Company has not engaged in any activity, which contravenes laws and regulations.

## 5. Review of operations

A review of the Company's business and its performance during the twelve-months period with comments on financial results and future developments contained in the Chairman's Message on pages 18 to 23 and the Managing Director/CEO's Review on pages 24 to 29 and the Management Discussion and Analysis on pages 92 to 173 presents an overall appraisal of the business operations, financial performance and the overall financial position of the Company which form an integral part of this Report.

## 6. Future developments

An overview of the future development of the Company is given in the Chairman's Message on page 18 Managing Director/ CEO's Review on page 24 to 29 and the Management Discussion and Analysis on pages 92 to 173.

The Company will continue to strengthen its sustainability strategy, including the progressive adoption of emerging sustainability reporting standards and the integration of ESG considerations into business planning and risk management processes.

## 7. Financial statements

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Finance Leasing Act No. 56 of 2000 as amended and the Listing Rules of the Colombo Stock Exchange.

The Financial Statements recommended and approved by the Board Audit Committee and the Board of Directors respectively are given on pages 248 to 250.

The Financial Statements of the Company duly signed by the Chief Financial Officer and two Directors on behalf of the Board are given on pages 315 to 321 which form an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

## 8. Directors' responsibility for financial reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages 315 to 321 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on pages 309 to 310 forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

## 9. Directors' statement of internal controls

In terms of Section 16 (1) (ix) of Finance Business Act (Corporate Governance) Directions No. 05 of 2021 of the Central Bank of Sri Lanka, the Board of Directors issued a report in relation to the internal control mechanism of the Company. As such, the Board authenticates that the financial reporting system is designed to assure the reliability of financial reporting in relation to the preparation of Financial Statements. The said report is given on pages 307 to 308 of the Annual Report. The Board has also obtained an assurance report from the External Auditors on the Directors' Statement on Internal Control which is given on pages 305 to 306 of the Annual Report.

## 10. Internal controls

The Board confirms the existence of an effective and comprehensive system of implementing internal control measures. As such, the internal control system covers financial operations, compliance, control and risk management while safeguarding assets and ensuring the security of the records to the best of its ability.

The Board of Directors during the period under review, upto the date of approval of this Annual Report conducted reviews of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith from respective Sub-Committees and KRPs. The Directors' Statement on Internal Control over Financial Reporting is given on pages 307 and 308 of this Annual Report.

## 11. Auditor's report

The Company's Auditor, Messrs KPMG, Sri Lanka (Chartered Accountants) performed the audit on the Financial Statements for the period ended 31 March 2026 and the Auditor's Report issued thereon is given on page 311 to 314 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

## 12. Accounting policies and changes during the year

The Financial Statements for the year ended 31 March 2026 are prepared in accordance with the Sri Lanka Accounting Standards. The material accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 322 to 413.

## 13. Review of the financial performance during the twelve-month period

The income of the Company for the period from 1 April 2025 to 31 March 2026 was LKR 18,493,245,141/- (from 1 April 2024 to 31 March 2025 it was LKR 13,277,799,039/-). An analysis of the income is given in Note 5, Note 7 and Note 8 to the Financial Statements.

## 14. Financial results and appropriations

The net profit of the Company from 1 April 2025 to 31 March 2026 was LKR 1,680,969,250/- (from 1 April 2024 to 31 March 2025 it was LKR 764,513,637/- Details regarding the profit and appropriations of the Company are given below.

| | 2025/26 LKR | 2024/25 LKR |
|---|---|---|
| Profit before tax | 2,709,873,263 | 1,420,896,429 |
| Income tax charge | (1,028,904,013) | (656,382,792) |
| Net profit | 1,680,969,250 | 764,513,637 |
| Retained earnings brought forward | 5,216,514,260 | 3,708,629,535 |
| Profit available for appropriation | 5,216,514,260 | 3,708,629,535 |

# Annual Report of the Board of Directors on the Affairs of the Company

## 15. Reserves

The reserves of the Company with the movements during the period are given in Notes to the Financial Statements on pages 381 and 383.

## 16. Taxation

The income tax rate applicable to the Company's operations was 30% on profits for the year ended March 2026 (2025 – 30%). It is the Company's policy to provide for deferred taxation on all known temporary differences under the liability method.

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2025 – 18%). Social Security Contribution Levy (SSCL) on Financial Services at 2.5%.

## 17. Governance and strategic oversight

The financial year 2025/26 continued to reflect the strength, adaptability, and resilience of the Company's governance framework. Amidst a dynamic economic landscape, the Company remained steadfast in its commitment to sustainable growth, guided by its Vision and Values, while balancing the interests of all stakeholders.

The well established governance structure of the Company enabled the Board to exercise effective oversight and provide strategic direction, particularly in navigating the medium to long term implications of evolving economic conditions.

In preparation for the year ahead, the Board undertook its annual strategic review for FY 2026/27 in collaboration with senior management, with due consideration given to the prevailing macroeconomic environment, emerging risks, and potential opportunities. Following this process, the Board approved the budget for FY 2026/27, together with the three year Corporate Plan covering the period from FY 2026/27 to FY 2028/29.

## The Board of Directors

The Board continues to maintain a balanced composition with a diverse mix of skills, expertise, and experience necessary to support the Company's operations as a Licensed Finance Company. A majority of the Board comprises Non-Executive Directors, each of whom is a distinguished professional in their respective field. A structured and ongoing evaluation process ensures that the Board's collective competencies remain aligned with the evolving strategic needs of the Company.

Board appointments are made through a formal and transparent process, with all Directors assessed for fit and propriety in terms of Finance Business Act Direction No. 06 0f 2021 and Section 9.7 of the Listing Rules of Colombo Stock Exchange and subject to approval by the Central Bank of Sri Lanka. The Board Nominations & Governance Committee plays a pivotal role in this process, recommending candidates after evaluating the Board's existing knowledge base, experience, and diversity in relation to the Company's strategic direction and any identified gaps. In line with our commitment to enhancing Board diversity, the Company appointed a Directress to the Board during FY 2025/26.

To ensure effective deliberation and decision-making, Board meeting agendas and supporting documentation are typically circulated three days in advance. This permits Directors sufficient time to review materials, provide input, and prepare for discussions. The agenda is set by the Company Secretary in consultation with the Chairman, with a deliberate focus on matters critical to the Company's long-term success.

The Board of Directors of the Company as at 31 March 2026, comprised 8 Directors, who possess extensive knowledge and experience in the areas of finance, business, credit and human resources management. The qualifications and experience of the Directors are given in the "Board of Directors" on pages 186 to 195 of this Annual Report.

Names of the persons who held office as Directors of the Company as of 31 March 2026 in terms of Section 168 (1) (h) of the Companies Act No. 07 of 2007 are given below.

| Name of the Director | Date of Appointment | Other Information |
|---|---|---|
| Mr Rajive Dissanayake | 29 August 2017 | Chairman/Non-Independent, Non-Executive Director |
| Mr Chaminda Prabhath | 29 June 2011 | Executive Director/Chief Executive Officer/Managing Director |
| Mr Lalith Withana | 10 September 2021 | Senior Director/Independent, Non-Executive Director |
| Mr Murali Polamarasetty | 15 September 2022 | Independent, Non-Executive Director |
| Mr B Premalal | 29 November 2022 | Non-Independent, Non-Executive Director |
| Mr Anura Perera | 29 January 2024 | Non-Independent, Non-Executive Director |
| Dr Prasad Samarasinghe | 20 February 2024 | Non-Independent, Non-Executive Director |
| Ms Ramanika Unamboowe | 4 June 2025 | Independent, Non-Executive Director |

**Note:**

*Mr Hasitha Wijesundara – Independent, Non-Executive Director retired from the Board w.e.f. 27 September 2025.*

*Mr Ruwan Manatunga – Non-Independent, Non-Executive Director resigned from the Board w.e.f. 8 January 2026.*

## Changes during the year

New appointment during the year and up to the date of this report.

- Ms Ramanika Unamboowe – appointed as an Independent, Non-Executive Director to the Board of Directors of the Company with effect from 4 June 2025.

Subsequent to the receipt of the fit and propriety approval of the Director of the Department of supervision of non-bank financial institutions of Central Bank of Sri Lanka, the Company Secretary in terms of Section 10.4 of the Finance Business Act Directions No. 05 of 2021, made an immediate market announcement of the appointment of Ms Ramanika Unamboowe. This announcement included a brief resume of the newly appointed Director, outlining her professional expertise in relevant functional areas, current directorships and memberships in other companies, and an indication of whether the Director is classified as an Independent or Non-Independent Director.

Resignation and Retirement of Directors during the year and up to the date of this report.

- Mr Hasitha Wijesundara, who served as an Independent Non-Executive Director of the Company retired after completing nine (9) years on the Board with effect from 27 September 2025.
- Mr Ruwan Manatunga, who served as a Non-Independent Non-Executive Director of the Company resigned from the Board with effect from 8 January 2026.

During the financial year under review, in accordance with Rule 9.10.3 of the Listing Rules, the Company immediately made market announcements regarding the changes to the composition of the Board of Directors.

## Retirement by rotation and re-election of Directors

In terms of Article 27 of the Articles of Association of the Company, the Directors appointed under Article 26 (1) (ii) and 26 (1) (iii) are not subject to retirement by rotation. Further, Directors become subject to retirement by rotation only upon completion of three (3) years from the date of their last election or re appointment at an Annual General Meeting.

In the aforesaid context, in compliance with Article 27 of the Articles of Association, Independent, Non-Executive Director Ms Ramanika Unamboowe, who was appointed to the Board on 4 June 2025 to fill a casual vacancy, has offered herself for formal appointment in terms of Article 26 of the Articles of Association at the 16th Annual General Meeting scheduled to be held on 30 June 2026. As all other Independent Non Executive Directors have not completed three (3) years from the date of their respective appointments, no other Director is subject to retirement or re-election at the forthcoming Annual General Meeting.

The Board Nominations and Governance Committee and the Board have recommended the formal appointment of the said Director, subject to the relevant regulatory approval/s issued under the Finance Business Act and Listing Rules of the Colombo Stock Exchange.

## Policy on maximum number of directorships held by Directors

The Company has in place a "Policy on Directorships Held by Directors", which establishes clear guidelines governing the number and nature of additional directorships and equivalent roles that may be undertaken by members of the Board. This Policy is designed to ensure that Directors are able to devote sufficient time and attention to the effective discharge of their duties and responsibilities to the Company, while safeguarding independence of judgment and sound governance.

During the period under review, all Directors remained in full compliance with the Policy and the applicable regulatory requirements. Accordingly, no Director exceeded the prescribed limit of twenty (20) directorships or equivalent positions in companies, societies, bodies corporate, subsidiaries, and associates, including alternate directorships.

## Directors' Declarations in terms of Rule 9.17 of the Listing Rules of the CSE

The Directors declare that all material interest in contracts involving the Company have been disclosed to the Board and wherever any Director was materially interested in a contract or a proposed contract with the Company, they have refrained from voting on such contracts.

## Directors' Declarations in terms of Section 16.1(ii) and (v) of Finance Business Act Directions No. 5 of 2021 and Rule 9.10.4 (c) of the Listing Rules of the CSE

The Chairman and the Directors have made the required declarations in compliance with the above Directions and Rules. The Board is satisfied that the relationships disclosed by the Directors do not give rise to any conflicts that would impair their independence or their ability to act in the best interests of the Company.

## Sustainability and ESG integration

The Board of Directors recognises sustainability as a key driver of long-term value creation and has integrated environmental, social and governance (ESG) considerations into the Company's strategy, risk management, and decision-making processes.

During the year under review, the Company further strengthened its ESG agenda through initiatives focused on resource efficiency, responsible financing, and environmental management, including the implementation of greenhouse gas (GHG) measurement practices and enhanced monitoring of energy and water consumption.

# Annual Report of the Board of Directors on the Affairs of the Company

The Company also advanced sustainable financing solutions, including electric vehicle (EV) lending, alongside internal environmental initiatives such as recycling, responsible e-waste management, renewable energy generation, and environmental restoration programmes.

In line with evolving regulatory expectations, steps were initiated to align sustainability disclosures with SLFRS S1 and SLFRS S2.

Further details are provided in the Sustainability and Responsible Value Creation section under the Operating Environment of this Annual Report.

## 18. Related party transactions with the Company

The Board of Directors ensures that all Related Party Transactions (RPTs) of the Company are conducted in strict compliance with the requirements of LKAS 24 – Related Party Disclosures, the Directions issued to Licensed Non-Bank Financial Institutions by the Central Bank of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange (CSE).

During the financial year under review, all proposed non-recurrent Related Party Transactions were duly submitted to the Board Related Party Transactions Review Committee (BRPTRC) for prior review and recommendation, in line with the Listing Rules of the Colombo Stock Exchange. In instances where such transactions required Board approval, Directors who were materially interested abstained from participating in the relevant deliberations and decision-making, thereby ensuring adherence to principles of good governance and transparency.

The aggregate value of Related Party Transactions entered into by the Company during the year is disclosed in Note 44 to the Financial Statements, which forms an integral part of this Annual Report.

The Board affirms that all Related Party Transactions were carried out on an arm's length basis and on terms comparable to those offered to independent parties. Accordingly, no Related Party has been granted more favourable treatment than that accorded to similar constituents of the Company.

The Board of Directors further confirms that the Company has complied with all applicable regulatory requirements governing Related Party Transactions, including the Directions of the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange, and that such transactions were fair, transparent, and in the best interests of the Company throughout the financial year ended 31 March 2026.

## 19. Directors' interests register and Directors' interests in contracts or proposed contracts

The Company maintains a Directors' Interests Register in terms of Companies Act No. 07 of 2007.

The Directors have made necessary declarations of their Interests in contracts and proposed contracts in terms of Sections 192 (1) and 192 (2) of the Companies Act, as at date. These interests are entered in the Interests Register which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

The particulars of the Directors' Interests in contracts with the Company are given in Related Party Disclosures to the Financial Statements on pages 384 to 390 and form an integral part of this Annual Report.

The relevant interests of Directors in the shares of the Company as at 31 March 2026 as recorded in the Interests Register are given in this Report under Directors' Shareholding.

Moreover, the Directors have declared all their material interests in contracts involving the Company and they have abstained from voting on matters in which they were interested.

## 20. Directors' remuneration

The remuneration paid to the Directors during the period under review has been duly recorded in the Interests Register. The aggregate of such remuneration is disclosed on page 389 of this Annual Report under the "Corporate Governance Report".

## 21. Insurance and indemnity

As authorised by the Articles of Association of the Company and as decided by the Board of Directors, the Company obtained a Directors and Officers Liability Insurance Cover in respect of FY 2025/26.

## 22. Material Foreseeable Risk Factors (as per rule No. 7.6 (Vi) of the listing rules of the Colombo Stock Exchange)

Material Foreseeable Risk Factors as applicable to the business operations of the Company are set out in Note 46 to the Financial Statements.

## 23. Appraisal of Board performance

The Board of Directors has established a formal and structured process for the annual evaluation of its performance, its Sub-Committees, and individual Directors, in compliance with Section 1.5(d) of the Finance Business Act Direction No. 05 of 2021.

Accordingly, during the financial year under review, each Director undertook a self-assessment exercise based on a structured questionnaire designed to evaluate effectiveness across key governance areas. The responses were collated by the Company Secretary and presented to the Board for consideration.

The Board also carried out a collective self-evaluation of its overall performance and that of its Sub-Committees, with a view to ensuring the effective discharge of their duties and responsibilities in accordance with the Companies Act No. 07 of 2007, the Finance Business Act Directions, the Listing Rules of the Colombo Stock Exchange, and established best practices in corporate governance.

The outcomes of these evaluations were reviewed and discussed by the Board, and where appropriate, measures for further strengthening Board effectiveness and governance processes were identified.

## 24. Relevant interests of directors in shares

In compliance with Section 200 of the Companies Act, the Board of Directors of the Company who hold applicable interest in the shares of the respective companies, have thus disclosed details of their shareholdings and acquisitions/disposals to the Board.

The Directors' Shareholding and the relevant interests of Directors in the shares of the Company as at 31 March 2026 and 31 March 2025 are as follows:

| | As at 31 March 2026 | | | | As at 31 March 2025 | | | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary Voting | | Ordinary Non-Voting | | Ordinary Voting | | Ordinary Non-Voting | |
| Names | Number of Shares | % | Number of Shares | % | Number of Shares | % | Number of Shares | % |
| Mr A G R Dissanayake | – | – | – | – | – | – | – | – |
| Mr P A H D Wijesundara | N/A | N/A | – | – | – | – | – | – |
| Mr Chaminda Prabhath | 1,208,333 | 0.07 | – | – | 1,208,333 | 0.07 | – | – |
| Mr R D Manatunga | N/A | N/A | – | – | – | – | – | – |
| Mr P L P Withana | – | – | – | – | – | – | – | – |
| Mr M S Polamarasetty | – | – | – | – | – | – | – | – |
| Mr B Premalal | - | - | – | – | 54,847,507 | 3.19 | – | – |
| Mr P A W Perera | – | – | – | – | – | – | – | – |
| Dr T K D A P Samarasinghe | – | – | – | – | – | – | – | – |
| Ms R Unamboowe | – | – | – | – | – | – | – | – |
| **Total** | 1,208,333 | 0.07 | – | – | 56,055,840 | 3.26 | – | – |

## 25. BOARD SUB-COMMITTEES

The Board of Directors while assuming the overall responsibility and accountability for the management of the Company has also appointed Board Sub-Committees to ensure oversight and control over certain affairs of the Company, in compliance with Finance Business Act (Corporate Governance) Directions No. 05 of 2021 together with the Finance Companies (Corporate Governance) Directions No. 03 of 2008 (as amended) issued by the Central Bank of Sri Lanka, Listing Rules of the Colombo Stock Exchange and on a voluntary basis.

## Annual Report of the Board of Directors on the Affairs of the Company

The Composition of the Board Sub-Committees as at 31 March 2026 is as follows,

| Committee | Members/Directors |
|---|---|
| Board Audit Committee | Mr Lalith Withana – Independent, Non-Executive Director (Chairman)<br>Mr Murali Polamarasetty – Independent, Non-Executive Director<br>Mr Anura Perera – Non-Independent, Non-Executive Director |
| Board Integrated Risk Management Committee | Mr Murali Polamarasetty – Independent, Non-Executive Director (Chairman)<br>Dr Prasad Samarasinghe – Non-Independent, Non-Executive Director<br>Mr Lalith Withana – Independent, Non-Executive Director |
| Board Human Resources and Remuneration Committee | Ms Ramanika Unamboowe – Independent, Non-Executive Director (Chairperson)<br>Mr Rajive Dissanayake – Non-Independent, Non-Executive Director<br>Mr Lalith Withana – Independent, Non-Executive Director |
| Board Nominations and Governance Committee | Mr Lalith Withana – Independent, Non-Executive Director (Chairman)<br>Mr Rajive Dissanayake – Non-Independent, Non-Executive Director<br>Mr B Premalal – Non-Independent, Non-Executive Director<br>Mr Murali Polamarasetty – Independent, Non-Executive Director<br>Ms Ramanika Unamboowe – Independent, Non-Executive Director |
| Board Related Party Transactions Review Committee | Mr Murali Polamarasetty – Independent, Non-Executive Director (Chairman)<br>Mr Lalith Withana – Independent, Non-Executive Director<br>Dr Prasad Samarasinghe – Non-Independent, Non-Executive Director |
| Board Procurement Committee | Dr Prasad Samarasinghe – Non-Independent, Non-Executive Director (Chairman)<br>Mr Rajive Dissanayake – Non-Independent, Non-Executive Director<br>Mr Anura Perera – Non-Independent, Non-Executive Director |
| Board Strategic and Investments Review Committee | Mr Rajive Dissanayake – Non-Independent, Non-Executive Director (Chairman)<br>Mr B Premalal – Non-Independent, Non-Executive Director<br>Dr Prasad Samarasinghe – Non-Independent, Non-Executive Director<br>Ms Ramanika Unamboowe – Independent, Non-Executive Director<br>Mr Chaminda Prabhath – MD/CEO |
| Board Credit Committee | Ms Ramanika Unamboowe – Independent, Non-Executive Director (Chairperson)<br>Mr Anura Perera – Non-Independent, Non-Executive Director<br>Dr Prasad Samarasinghe – Non-Independent, Non-Executive Director |
| Board Recovery Committee | Mr Anura Perera – Non-Independent, Non-Executive Director (Chairman)<br>Ms Ramanika Unamboowe – Independent, Non-Executive Director<br>Mr Chaminda Prabhath – MD/ CEO |
| Board Technology Committee | Dr Prasad Samarasinghe – Non-Independent, Non-Executive Director (Chairman)<br>Mr Murali Polamarasetty – Independent, Non-Executive Director<br>Mr Chaminda Prabhath – MD/ CEO |

In terms of Section 9.10.3 of the Listing Rules, the Company made immediate Market Announcements regarding the changes to the compositions of the Board Subcommittees.

## 26. Directors' meetings

The Board of Directors and its Sub-Committees, namely the Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resources and Remuneration Committee, Board Nominations and Governance Committee, Board Related Party Transactions Review Committee, Board Procurement Committee, Board Strategic and Investments Review Committee, Board Credit Committee, Board Recovery Committee, and Board Technology Committee, met regularly during the financial year to discharge their respective responsibilities effectively.

The number of meetings held and the attendance of each Director for the period from 1 April 2025 to 31 March 2026 are disclosed in the Directors' Attendance at Board and Board Sub-Committee Meetings in the Governance Report on pages 201 of this Annual Report.

In accordance with Article 38 of the Articles of Association of the Company, Directors are facilitated to participate in meetings either in person or through audio or audio-visual communication, thereby ensuring continuity and effective participation in Board deliberations.

The Board further confirms that there were no instances requiring report under Section 7.8 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021, as all Directors satisfied the attendance requirements prescribed therein.

## 27. Stated capital, debentures and trust certificate

The stated capital of the Company as at 31 March 2026 was LKR 1,416,731,755/- consisting of ordinary voting shares of 1,717,501,587 and ordinary non-voting shares of 360,325,000 (FY 2024/25 – LKR 1,416,731,755/- consisting of ordinary voting shares of 1,717,501,587 and ordinary non-voting shares of 360,325,000).

The debentures of the Company, as at 31 March 2026 was LKR 469 Mn. (2024/25– LKR 502 Mn.) and these debentures will be redeemable in 2040. The unlisted, unrated, unsecured, subordinated, redeemable 5 year trust certificate of the Company as at 31 March 2026 was LKR 4,230.

The Company plans to undertake a right issue of ordinary shares after the reporting period. Refer to note 42 for further details.

## 28. Share information and substantial shareholding

The shareholding distribution is reflected on pages 428 to 431 as at 31 March 2026. Top 20 voting and non-voting registered shareholders were recorded. Distribution schedule of shareholders, major shareholders, public holding and ratios, and market price information as required by the Listing Rules on the distribution of shareholding with the respective percentages, 20 largest shareholders, public holding and ratios, and market price information are set out on pages 428 to 431 under share information.

## 29. Major shareholders

Pages 428 to 429 indicate the shareholding analysis of the top 20 voting and non-voting (volume wise) shareholders of the Company, as at 31 March 2026.

## 30. Dividends on ordinary shares

There were no dividends declared to the holders of the ordinary shares (both voting and non-voting) for the financial period from 1 April 2025 to 31 March 2026.

## 31. Property plant and equipment and significant changes in the Company's fixed assets/market value of land and building, capital expenditure

The total capital expenditure on acquisition of property, plant and equipment and intangible assets during the period of the Company amounted to LKR 183 Mn. (2024/25 LKR 140 Mn.). Details are given in Notes 26 and 27 to the Financial Statements.

## 32. Market value of freehold property

All freehold lands and buildings of the Company were revalued by a professionally qualified Independent Valuer as at 31 March 2025 and brought into the Financial Statements. The details of the freehold properties owned by the Company are given in Note 25 and Note 27 to the Financial Statements.

## 33. Human resources

The employment strategies of the Company are framed to recruit, train, develop and retain the best talent available within the industry. In order to facilitate the process of matching people to jobs, the Company's Employment Policy is structured to include recruitment from external sources as well as through internal promotions. The Company always respects the merits of the individual and provides equal career opportunities irrespective of gender, race, or religion. The Company did not encounter any material issues relating to labour or industrial relations during the period under review.

## 34. Material issues pertaining to employees and industrial relations pertaining to the Company

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Section 7.6 (vii) of the CSE Listing Rules.

## 35. Employee share option schemes/employee share purchase schemes

The Company has not implemented any share option/share purchase schemes for its employees.

# Annual Report of the Board of Directors on the Affairs of the Company

## 36. Donations

The Company donations is disclosed in Note 12 on other operating expenses

## 37. Corporate social responsibility

The Company's Corporate Social Responsibility (CSR) initiatives are aligned with its broader sustainability agenda, focusing on financial inclusion, community empowerment, and social well-being.

During the financial year under review, the Company conducted several CSR initiatives, including financial literacy programs aimed at enhancing public awareness and access to financial services, along with community-focused initiatives such as blood donation campaigns, educational support programs, and employee engagement activities.

These initiatives reflect the Company's continued commitment to creating positive social impact and supporting the communities in which it operates. Further details are provided in the Social and Relationship Capital Section under the Management Discussion and Analysis of this Annual Report.

## 38. Auditors

The Financial Statements for the period ended 31 March 2026 have been audited by M/s KPMG Sri Lanka (Chartered Accountants) as the Independent Auditors during the year under review and the Auditor's Report issued thereon is given on pages 311 to 314 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

The Auditors charge a fee of LKR 6.9 Mn. as audit fee for the period ended 31 March 2026, which has been approved by the Board. The Board recommends to appoint M/s Ernst and Young, Sri Lanka (Chartered Accountants) who are listed in the approved panel of External Auditors, in terms of the guidelines issued by the Monetary Board of Central Bank of Sri Lanka under Section 30 (2) of the Finance Business Act No. 42 of 2011, as auditors for the ensuing year and a resolution to appoint M/s Ernst and Young as Auditors and authorising the Directors to fix their remuneration as recommended by the Board, will be proposed at the forthcoming Annual General Meeting.

## 39. Risk management and internal control

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Board Audit Committee and the Board Integrated Risk Management Committee. Specific steps taken by the Company to manage the risks are detailed in the section on Risk Management Review on page 266 in the Directors' Statement on Internal Controls over Financial Reporting is on pages 307 and 308.

## 40. Internet of things and cybersecurity

The Board of Directors recognises the critical importance of information security and cybersecurity in safeguarding the Company's operations and stakeholder interests and has ensured that appropriate oversight mechanisms are maintained.

During the year under review, following the resignation of the Acting Chief Information Security Officer (CISO), the Board undertook timely steps to ensure continuity of oversight, including recommending the appointment of a suitably qualified Acting CISO. The Board continues to dedicate adequate time and attention to cyber risk management, facilitating regular discussions to strengthen the Company's information security framework and resilience against emerging cyber threats.

## 41. Corporate governance

The significance of maintaining an effective Corporate Governance Framework in relation to the management and operations of the Company was reiterated by the Directors. As such, with the purpose of enhancing risk management measures while improving accountability and transparency of the Company, systems and structures were implemented for continuous improvement of all such practices. The Corporate Governance Report is given on pages 196 to 247 of this Annual Report.

## 42. Compliance with laws and regulations

The Board of Directors made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions. An elaboration of the training initiatives is included in the Board Nominations and Governance Committee Report.

The Board of Directors along with all personnel responsible for legal compliance warrants that the Company has not carried out any activities that breach the applicable

laws and regulations. Moreover, the Board of Directors affirm that the Company during the period under review was not subject to any fine which are material, imposed by the government of Sri Lanka or a regulatory authority. As such, the relevant officers confirm the level of compliance to the Board on a monthly basis.

## 43. Beneficial ownership – regulatory developments and readiness

The Board noted the enhanced regulatory requirements relating to Beneficial Ownership introduced under the Companies (Amendment) Act No. 12 of 2025, the Companies (Beneficial Ownership) Regulations No. 01 of 2026, and Directions issued under the Finance Business Act (Assessment of Beneficial Owners of Finance Companies) No. 02 of 2026. In this context, the Board reviewed the arrangements established to support compliance, including the designation of the Company Secretary as the Responsible Officer, the adoption of a structured framework for the identification and maintenance of Beneficial Ownership information, and the implementation of processes for data collection and verification. The Board further noted the progress of these ongoing initiatives and the Company's readiness to complete the required submissions within the prescribed timelines, reflecting a measured and forward-looking approach to regulatory compliance and transparency.

## 44. Statutory payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues payable by the Company as at the reporting date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

## 45. Environmental protection

The Board of Directors recognises environmental responsibility as an integral component of the Company's ESG framework and is committed to minimising the environmental impact of its operations. During the year under review, the Company adopted a structured approach to environmental management through the monitoring of resource consumption, implementation of recycling initiatives, and the responsible disposal of electronic waste through authorised recyclers.

In addition, the Company continued to support renewable energy utilisation and environmental restoration initiatives in line with its sustainability agenda.

The Board confirms that, to the best of its knowledge, the Company has complied with all applicable environmental laws and regulations. The Company's initiatives towards environmental protection are set out on pages 164 to 173 under natural capital.

## 46. Outstanding litigation

In the opinion of the Directors and Company's Lawyers, pending litigation by and against the Company will not have a material impact on the financial position of the Company or its future operations.

## 47. Contingent liabilities

Except as disclosed in Note 43 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

## 48. Events occurring after the reporting date

There are no material events as at the date of the Auditors' Report which require adjustment to or disclosure in the Financial Statements. other than disclosed in note 42.

## 49. Equitable treatment for stakeholders

The Board of Directors has approved a rights issue amounting to LKR 2.5 Bn., comprising both voting and non-voting shares.

## 50. Going concern

The Board of Directors has reviewed the Company's corporate/business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

## 51. Minimum capital requirement

The level of compliance with the minimum capital requirements is disclosed in page 266 under "Integrated Risk Management and Capital Management" of the Risk Management Review.

# Annual Report of the Board of Directors on the Affairs of the Company

## 52. Register of directors and secretaries

As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company Secretary maintains a Register of Directors and Secretaries on behalf of the Company, which contains information of each Director and the Secretary.

## 53. Annual general meeting

The 16th Annual General Meeting of the Company will be held as a Fully Virtual Meeting, on Tuesday 30 June 2026 at 2.00 p.m. The Notice of the 16th Annual General Meeting is given on page 438 on behalf of the Board.

## 54. Acknowledgement of the contents of the report

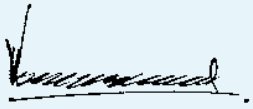
In compliance with the requirements of Section 168 (1) (k) of the Companies Act No. 07 of 2007, this Report is signed on behalf of the Board of Directors by two (2) Directors and the Company Secretary, pursuant to the authority granted by a resolution of the Board passed on 5 June 2026, confirming that the contents of this Annual Report have been duly reviewed and approved.

The Board of Directors acknowledges the commitment and dedication of the Company's management and employees, as well as the continued support of all stakeholders. The Board also extends its appreciation to the shareholders for their continued confidence in the Company.

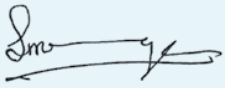
By Order of the Board,



**Rajive Dissanayake**
Chairman



**Chaminda Prabhath**
Chief Executive Officer/CEO



**Manjula Weerasuriya**
Company Secretary

5 June 2026
Colombo

# Auditors' Assurance Report on the Directors' Statement on Internal Control

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

## To the Board of Directors of HNB Finance PLC

## Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of HNB Finance PLC ("the Company") to provide assurance on the Director's Statement on Internal Control ("the Statement") included in the Annual Report for the year ended 31 March 2026.

## Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka.

## 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 Management 1 (SLSQM 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our Responsibilities

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 Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051, Assurance Report for Licensed Finance Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires 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 purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed and audit or review of the financial information.

## Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the financial statements.

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T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA,
W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard ACA, FCMA(UK), FCIT, K. Somasundaram ACMA(UK), Ms. D Corea Dharmaratne

# Auditors' Assurance Report on the Directors' Statement on Internal Control

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, 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 on pages 307 to 308 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

**Chartered Accountants**

Colombo
5 June 2026

# Directors' Responsibility Statement on Internal Control over Financial Reporting

## Responsibility

In line with Section 16(1)(ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, the Board of Directors presents this report on internal control over financial reporting.

The overall responsibility for internal controls and financial reporting and reviewing their adequacy and effectiveness rests with the Board of Directors of HNB Finance PLC.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Company and this process includes enhancing the system of internal controls over financial reporting as and when changes occur in the operating business environment or to regulatory guidelines. This process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls over financial reporting which is in place at HNB Finance PLC is adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of the 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 policies and procedures on risk and control, by identifying and assessing the risks faced by the Company, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## Key internal control processes

The key processes that have been established to review the adequacy and integrity of the system of internal controls over financial reporting include the following:

- The Board has appointed various subcommittees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions approved by the Board.
- Policies, procedures, and charters are in place covering key functional areas of the Company and these are recommended by the Board appointed Committees and are approved by the Board. Such policies, procedures and charters are regularly reviewed, updated and approved by the Board.
- The Internal Audit Department of the Company checks compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. The annual audit plan is reviewed and approved by the Board Audit Committee. Branches are audited regularly, the frequency of which is determined by the level of risk assessed by the internal audit, to provide independent and objective assurance reports on operations and performance.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and the Management. The Board Audit Committee also evaluates the effectiveness of the internal audit function with particular emphasis on the scope and independence of internal audit and the resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report on pages 248 to 250.
- In assessing the Internal Control System over financial reporting, identified officers of the Company compiled all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of the design and implementation effectiveness, on an ongoing basis.
- The Company adopts the Sri Lanka Accounting Standards (SLFRS and LKAS) and continues to enhance its processes to ensure full compliance with the requirements relating to the recognition, measurement, classification, and disclosure of financial instruments. Financial reporting and management information systems are further strengthened through continuous monitoring and adaptation to prevailing market conditions.
- The Company also reviewed the existing models used for financial reporting to assess the potential implications of the current economic environment. These models are periodically reviewed and validated by independent industry experts to ensure accuracy, reliability, and alignment with best practices.
- The Company continued to refine the statistical models used in the computation of Expected Credit Losses (ECL) in accordance with SLFRS 9 – "Financial Instruments", along with enhancing the data

# Directors' Responsibility Statement on Internal Control over Financial Reporting

extraction procedures supporting these calculations. Since adopting the standard, progressive improvements have been made to comply with evolving requirements relating to classification, estimation of expected credit losses, and disclosures. At the same time, processes have been further strengthened to support the ECL estimation and high-quality financial statement disclosures. These processes are continuously strengthened based on the feedback received from the External Auditor, Internal Audit Department, regulators and the Board Audit Committee.

- The existing models were further reviewed this year in terms of the appropriateness of underlying assumptions, incorporating potential implications of changes in the macroeconomic conditions prevailing in the country. In addition, the company also reviewed and updated post-model overlay previously recognised to align with the improved economic environment.
- The procedure manual governing the computation of ECL is reviewed and approved by the Board Audit Committee. The company maintains documentation detailing the methodologies and procedures applied, which are updated as necessary to ensure consistency and transparency. The Internal Audit Department conducts regular testing of these processes, and the observations arising from such reviews are systematically presented to the BAC throughout the year 2025/26, ensuring continued oversight, governance, and alignment with regulatory and reporting expectations.
- Comments made by the External Auditors in connection with the internal control system during the financial year 2025/26 were taken into consideration and appropriate steps will be taken to incorporate them where appropriate during the ensuing year.
- The Company ensures that all relevant policies are reviewed and updated on a timely basis, in line with regulatory requirements and evolving business needs.

## Confirmation

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

## Review of the statement by external auditors

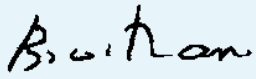
The External Auditors have reviewed the above Directors' Responsibility Statement on Internal Control over Financial Reporting included in the Annual Report of the Company for the year ended 31 March 2026 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting.

## Statement on prudential requirements, Regulations and Laws

The Board of HNB Finance PLC presents this report on compliance with prudential requirements, regulations, and laws, pursuant to Section 16 (1) (ix) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

The Board has established adequate internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and laws. Furthermore, the Board confirms that there are no regulatory or supervisory concerns regarding lapses in the Company's risk management or non-compliance with the Act, rules, and directions.

By Order of the Board,



**Lalith Withana**
Audit Committee Chairman



**Chaminda Prabhath**
Managing Director/CEO



**Rajive Dissanayake**
Chairman

5 June 2026
Colombo,
Sri Lanka

# Directors' Responsibility for Financial Reporting

The responsibility of the Board of Directors in relation to the Financial Statements of the Company prepared in accordance with, LKAS & SLFRS and prescribed in the provisions of the Companies Act No. 07 of 2007 and amendments thereto is set out in the following statement.

The responsibility of the External Auditors in relation to Financial Statements is set out in the Report of the Auditors given on pages 311 to 314 of the Annual Report.

As per provisions of Sections 150 (1) and 151 of the Companies Act No. 07 of 2007 and amendments thereto, the Directors are responsible to ensure that the Financial Statements are prepared to give a true and fair view of the state of affairs of the Company as at each financial period end and its profit or loss for the financial period then ended and place them before a General Meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31 March 2026, the Statement of Profit or Loss & Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended and Notes thereto.

In preparing Financial Statements, Directors are required to ensure that

(i) The appropriate accounting policies have been selected and applied consistently and material departures, if any, have been disclosed and explained,

(ii) reasonable and prudent judgements and estimates have been made: and

(iii) all applicable accounting standards, as relevant, have been complied with.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

The Directors are also required to take into consideration the potential implications of macroeconomic volatility on the Company's business, operations and financial performance. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

Accordingly, the Board of Directors confirm that the Financial Statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2026.

## Compliance Report

Financial Statements prepared and presented in this Annual Report have been based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of account and are in conformity with the requirements of Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Directions issued under the Finance Business Act No. 42 of 2011, 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 (CA Sri Lanka). In addition, these financial statements comply with the prescribed format issued by the Central Bank of Sri Lanka for the preparation of annual financial statements of Licensed Finance Companies. The Financial Statements and related disclosures given on pages 315 to 413.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year which are regularly reviewed by the Board.

This comprises internal reviews, internal audits and the entire system of financial and operational controls required to carry on the business of finance business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31 March 2026 are given on page 307 to 308 in the Annual Report, Directors' Responsibility Statement on Internal Control Over Financial Reporting.

External Auditors' Assurance Report on the Directors' Statement on Internal Control is given in Annual Report pages 305 to 306.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the Statement of Financial Position date have been paid or where relevant provided for, except as provided in Note 43 to the Financial Statements covering contingent liabilities.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of accounts and review the financial reporting system at their regular Board Meetings and also through the Board Audit Committee. The report of the Board Audit Committee is given on pages 248 to 250.

The Board of Directors also approves the Interim and Annual Financial Statements prior to their release based on review and recommendation of the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

# Directors' Responsibility for Financial Reporting

The Company's External Auditor, Messrs. KPMG, has been provided with every opportunity to carry out whatever reviews and checks on the system of internal control they may consider appropriate and necessary for expressing their independent audit opinion on the Financial Statements.

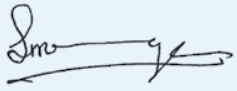
They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 311 to 314

The Financial Statements of the Company have been certified by the Chief Financial Officer of the Company, as the officer responsible for their preparation as required by the Section 150 (1) (b) of the Companies Act No. 07 of 2007 and they have also been signed by two Directors and the Company Secretary on 5 June 2026 as required by Sections 150 (1) (c) of the Companies Act.

Further, as required by Sections 166 (1) and 167 (1) of the Companies Act, the Board of Directors has prepared this Annual Report in a timely manner, and the Annual Report will be published/ hosted in the Company's website and Colombo Stock Exchange website. The link will be shared with the Shareholders enabling them to access the Annual Report electronically. The Company will also ensure that a copy thereof is sent to every shareholder of the Company, who express desire to receive a hard copy of the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE. Further, all shareholders in each category have been treated equitably in accordance with the original terms of issue.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board,



**Manjula Weerasuriya**
Company Secretary

5 June 2026
Colombo, Sri Lanka

# Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
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## To the Shareholders of HNB Finance PLC

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HNB Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2026, and the statements of Income, profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies set out on page 322 to 413.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2026, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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.

### 1. Allowance for impairment losses of Loans, Advances and Lease Rentals Receivables

(Refer to Note 9 of material accounting policies and explanatory Notes 18 and 19 to the financial statements).

#### Risk Description

As disclosed in Notes 18 and 19 to the financial statements, the Company has recorded an impairment provision of LKR 5,110 Mn. relating to loans and advances to customers and LKR 1,112 Mn. relating to lease rentals receivables in the financial statements as at 31 March 2026.

The determination of provision for allowance of impairment losses using the expected credit loss model is subject to a number of key parameters, key assumptions and judgments, including the identification of loss stages, probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. These models are reliant on data and number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR). Additionally, the assessment of individual impairment is carried out based on the set threshold considering the values of assets pledged as securities.

Significant management judgement is involved in the selection of those parameters and the application of assumptions.

Accordingly, impairment allowance for loans and advances and lease rentals receivables was considered as a key audit matter due to the significance to the financial statements, management assumption, judgements and estimation uncertainty associated with the impairment allowance calculation.

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T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA,

W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard ACA, FCMA(UK), FCIT, K. Somasundaram ACMA(UK), Ms. D Corea Dharmaratne

Our audit procedures included;

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls related to the measurement of allowance for impairment.
- Evaluating the appropriateness of the accounting policies related to ECL and underlying methodology applied based on the requirements of SLFRS 9 with the involvement of our FRM specialists and with our business understanding.
- Evaluating the completeness of customers/facilities assessed individually based on the criteria set for the same and checking the accuracy of the allowance for impairment for such identified individually significant exposures.
- Assessing the appropriateness of identified "risk elevated industries" by the management for the identification of significant increase in credit risk of the exposures and independently calculating the stages of loans based on the set criteria for the collectively assessed exposures.
- Assessing the appropriateness of key parameters and assumptions particularly related to the macroeconomic scenarios used in the expected credit loss model.
- Testing the mathematical accuracy of the estimation of allowance for impairment.
- Evaluating the completeness, accuracy and relevance of underlying data used for the calculation of impairment allowance on sample basis by agreeing to the source documents and IT systems.
- Assessing the adequacy and appropriateness of disclosures made in the financial statements with reference to the requirements of relevant accounting standards.

## 2. IT systems and controls over financial reporting

### Risk Description

The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. Automated accounting procedures and controls over IT environment, which include IT governance, controls over programme changes, access to programmes, data and IT operations, are required to be designed and operated effectively to ensure accurate financial reporting.

System calculations related to interest income/expenses and integrations between business systems and financial reporting systems are key areas that could result in the financial records being materially misstated.

We identified IT systems and controls over financial reporting as a key audit matter because the Company's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base.

We used our KPMG IT audit specialists where applicable to perform audit procedures to assess IT systems and controls over financial reporting, which included,

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting.
- Examining the framework of governance over the Company's IT organisation and the controls over programme changes, access to programmes, data and IT operations, including compensating controls where required.
- Evaluating the design, implementation and operating effectiveness of the IT general controls and IT application controls related to significant accounts and system calculations that are relevant to the Company`s financial reporting activities.
- Assessing the management's evaluation of access rights granted and removed to applicants relevant to financial accounting and reporting systems.
- Testing preventative controls designed to enforce segregation of duties between users within particular systems.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will 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 concluded that there is material misstatement of 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty

## Independent Auditors' Report

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 Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

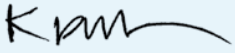
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.



**Chartered Accountants**
Colombo, Sri Lanka

5 June 2026

# Income Statement

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Gross income** | | 18,493,245,141 | 13,277,799,039 |
| Interest income | 5 | 14,906,205,237 | 10,483,993,636 |
| Interest expenses | 6 | (6,276,921,278) | (4,978,511,658) |
| **Net interest income** | | 8,629,283,959 | 5,505,481,978 |
| Fee and commission income | | 1,508,683,600 | 1,242,884,987 |
| Fee and commission expenses | | (689,599,799) | (319,050,739) |
| **Net fee and commission income** | 7 | 819,083,801 | 923,834,248 |
| **Net interest, fee and commission income** | | 9,448,367,760 | 6,429,316,226 |
| Other operating income | 8 | 2,078,356,304 | 1,550,920,416 |
| **Total operating income** | | 11,526,724,064 | 7,980,236,642 |
| Impairment charges on loans, leases and other advances | 9 | (1,550,009,960) | (660,004,285) |
| **Net operating income** | | 9,976,714,104 | 7,320,232,357 |
| Personnel expenses | 10 | (2,299,342,637) | (2,070,545,762) |
| Depreciation and amortisation expenses | 11 | (342,937,895) | (354,674,613) |
| Other operating expenses | 12 | (3,467,200,393) | (2,740,146,856) |
| **Total operating expenses** | | (6,109,480,925) | (5,165,367,231) |
| **Operating profit before taxes on financial services** | | 3,867,233,179 | 2,154,865,126 |
| Taxes on financial services | 13 | (1,157,359,916) | (733,968,697) |
| **Profit before income tax expense** | | 2,709,873,263 | 1,420,896,429 |
| Income tax charge | 14 | (1,028,904,013) | (656,382,792) |
| **Profit for the year** | | 1,680,969,250 | 764,513,637 |
| Basic earnings per share | 15 | 0.81 | 0.43 |

Figures in brackets indicate deductions

The Notes on pages 322 through 413 form an integral part of these Financial Statements.

# Statement of Profit or Loss and Other Comprehensive Income

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Profit for the year | | 1,680,969,250 | 764,513,637 |
| **Other comprehensive income, net of tax** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Actuarial loss on retirement benefit obligation | 35.1 | (18,334,361) | (22,628,356) |
| Deferred tax effect on remeasurements of retirement benefit obligation | 29.2 | 5,500,308 | 6,788,507 |
| Equity investments at FVOCI – Net change in fair value | 22.2 | 1,134,254 | (108,023) |
| *Items that are or may be reclassified subsequently to profit or loss* | | | |
| Revaluation gain on free hold lands and buildings | 27 | – | 65,816,880 |
| Deferred tax effect on revaluation gain on lands and buildings | 29.2 | – | (19,745,064) |
| **Other comprehensive expense for the year, net of tax** | | (11,699,799) | 30,123,944 |
| **Total comprehensive income for the year** | | 1,669,269,451 | 794,637,581 |

Figures in brackets indicate deductions

The Notes on pages 322 through 413 form an integral part of these Financial Statements.

# Statement of Financial Position

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 17 | 1,467,214,897 | 1,582,022,331 |
| Financial assets at amortised cost – Loans and advances to customers | 18 | 25,261,315,194 | 19,043,419,761 |
| Financial assets at amortised cost – Lease rentals receivables | 19 | 51,017,013,327 | 25,700,606,847 |
| Financial assets at amortised cost – Loans and advances to others | 20 | 53,872,176 | 95,241,779 |
| Financial assets measured at FVOCI | 22 | 5,458,327 | 4,324,073 |
| Financial assets at amortised cost – Debt and other instruments | 23 | 10,013,057,139 | 6,982,841,561 |
| Other assets | 24 | 2,608,807,030 | 1,292,073,600 |
| Investment properties | 25 | 1,207,380,000 | 1,409,600,000 |
| Intangible assets | 26 | 52,273,003 | 85,092,793 |
| Property, plant and equipment | 27 | 2,154,466,399 | 1,940,496,243 |
| Right-of-use assets | 28 | 553,046,145 | 367,542,225 |
| Deferred tax assets | 29 | 825,292 | – |
| **Total assets** | | 94,394,728,929 | 58,503,261,213 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Financial liabilities at amortised cost – Due to customers | 30 | 68,927,152,130 | 42,217,981,305 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 31 | 10,499,515,003 | 4,767,543,102 |
| Current tax liability | 32 | 994,012,757 | 358,925,300 |
| VAT and SSCL on financial services | 33 | 128,095,605 | 144,436,066 |
| Other liabilities | 34 | 4,179,900,710 | 3,057,129,108 |
| Retirement benefit obligation | 35 | 409,818,088 | 369,880,756 |
| Deferred tax liability | 29 | – | 400,391 |
| **Total liabilities** | | 85,138,494,293 | 50,916,296,028 |
| **Equity** | | | |
| Stated capital | 36 | 1,416,731,755 | 1,416,731,755 |
| General reserve | 37 | 82,897,989 | 82,897,989 |
| Revaluation reserve | 39 | 739,433,326 | 739,433,326 |
| Other reserves | 38 | 1,800,657,306 | 1,639,272,580 |
| Retained earnings | 40 | 5,216,514,260 | 3,708,629,535 |
| **Total equity** | | 9,256,234,636 | 7,586,965,185 |
| **Total equity and liabilities** | | 94,394,728,929 | 58,503,261,213 |

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007 and Finance Business Act No. 42 of 2011.

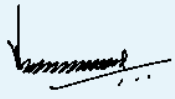


**Palitha Abeysekera**
Chief Financial Officer

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 of Directors by,



**Rajive Dissanayake**
Chairman
5 June 2026
Colombo, Sri Lanka



**Chaminda Prabhath**
Managing Director/CEO

# Statement of Changes in Equity

| For the year ended 31 March | Note | Stated capital LKR | General reserves LKR |
|---|---|---|---|
| Balance as at 1 April 2024 | | 223,545,481 | 82,897,989 |
| Adjustment due to assessment on Surcharge Tax | 14.4 | | |
| Adjusted balance as at 1 April 2024 | | 223,545,481 | 82,897,989 |
| Profit for the year | | – | – |
| **Other comprehensive income for the year** | | | |
| Actuarial loss on defined benefit plans | 35.1 | – | – |
| Deferred tax effect on actuarial loss on defined benefit plans | 29.2 | – | – |
| Revaluation gain on free hold lands and buildings | 27 | – | – |
| Deferred tax impact on revaluation reserve | 29.2 | – | – |
| Equity investments at FVOCI – net change in fair value | 22.2 | – | – |
| **Total comprehensive (expenses)/income for the year** | | – | – |
| Transfer to statutory reserve fund | | – | – |
| Transfer to regulatory loss allowance reserve | | – | – |
| **Transactions with owners recognised directly in equity contributions by and distributions to owners** | | | |
| Proceeds from right issue of ordinary shares | | 1,193,186,274 | – |
| **Balance as at 31 March 2025** | | 1,416,731,755 | 82,897,989 |
| **Balance as at 1 April 2025** | | 1,416,731,755 | 82,897,989 |
| Profit for the year | | – | – |
| **Other comprehensive income for the year** | | | |
| Actuarial loss on defined benefit plans | 35.1 | – | – |
| Deferred tax effect on actuarial gain/loss on defined benefit plans | 29.2 | – | – |
| Deferred tax impact on revaluation reserve | 29.2 | – | – |
| Equity investments at FVOCI – net change in fair value | 22.2 | – | – |
| **Total comprehensive income/(expense)/for the year** | | – | – |
| Transfer to statutory reserve fund | | – | – |
| Transfer from regulatory loss allowance reserve | | – | – |
| **Balance as at 31 March 2026** | | 1,416,731,755 | 82,897,989 |

Figures in brackets indicate deductions.

The Notes on pages 322 through 413 form an integral part of these Financial Statements.

| | Other Reserves | | | | | |
|---|---|---|---|---|---|---|
| | Statutory reserve fund LKR | Regulatory loss allowance reserve LKR | FVOCI reserve LKR | Revaluation reserve LKR | Retained earnings LKR | Total LKR |
| | 1,308,814,512 | – | 1,719,986 | 693,361,510 | 3,341,395,002 | 5,651,734,480 |
| | | | | | (52,593,150) | (52,593,150) |
| | 1,308,814,512 | – | 1,719,986 | 693,361,510 | 3,288,801,852 | 5,599,141,330 |
| | – | – | – | – | 764,513,637 | 764,513,637 |
| | | | | | | |
| | – | – | – | – | (22,628,356) | (22,628,356) |
| | – | – | – | – | 6,788,507 | 6,788,507 |
| | – | – | – | 65,816,880 | – | 65,816,880 |
| | – | – | – | (19,745,064) | | (19,745,064) |
| | – | – | (108,023) | – | – | (108,023) |
| | – | – | (108,023) | 46,071,816 | 748,673,788 | 794,637,581 |
| | 152,902,727 | – | – | – | (152,902,727) | – |
| | – | 175,943,378 | – | – | (175,943,378) | |
| | | | | | | |
| | – | – | – | – | – | 1,193,186,274 |
| | 1,461,717,239 | 175,943,378 | 1,611,963 | 739,433,326 | 3,708,629,535 | 7,586,965,185 |
| | 1,461,717,239 | 175,943,378 | 1,611,963 | 739,433,326 | 3,708,629,535 | 7,586,965,185 |
| | – | – | – | – | 1,680,969,250 | 1,680,969,250 |
| | | – | | | | |
| | – | – | – | – | (18,334,361) | (18,334,361) |
| | – | – | – | – | 5,500,308 | 5,500,308 |
| | – | – | – | – | – | – |
| | – | – | 1,134,254 | – | – | 1,134,254 |
| | – | – | 1,134,254 | – | (12,834,053) | (11,699,799) |
| | 336,193,850 | – | – | – | (336,193,850) | – |
| | – | (175,943,378) | – | – | 175,943,378 | – |
| | **1,797,911,089** | **–** | **2,746,217** | **739,433,326** | **5,216,514,260** | **9,256,234,636** |

# Statement of Cash Flows

## ACCOUNTING POLICY

The Statement of Cash Flows has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 "Cash Flows Statement." Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax** | | **2,709,873,263** | 1,420,896,429 |
| *Adjustments for:* | | | |
| Interest expenses on borrowings | 6 | **179,367,475** | 68,800,806 |
| Interest expenses on debentures | 6 | **39,918,019** | 163,552,900 |
| Interest expenses on subordinated trust fund | 6 | **475,886,575** | 287,898,630 |
| Interest income on financial assets at amortised cost – Debt and other instruments | 5 | **(609,731,841)** | (763,456,057) |
| Dividend income | 8 | **(495,040)** | (457,130) |
| Gain on disposal of property, plant and equipment | 8 | **(459,085)** | (1,584,234) |
| Impairment charge for loans and other assets | 9 | **1,550,009,960** | 660,004,285 |
| Provision for taxes on financial services | 13 | **1,157,359,916** | 733,968,697 |
| Provision for Crop Insurance Levy | 12 | **17,126,571** | 6,731,387 |
| Amortisation on intangible assets | 26.2 | **36,457,851** | 49,531,508 |
| Amortisation on goodwill | 26.1 | **–** | 19,395,045 |
| Amortisation of right of use assets | 28.1 | **144,039,684** | 131,112,566 |
| Interest expense from lease liability | 34.1.2 | **70,215,027** | 53,825,869 |
| Depreciation on property, plant and equipment | 27 | **162,440,360** | 154,635,493 |
| Provision for retirement benefit obligation | 10 | **75,028,687** | 75,310,192 |
| Gain from revaluation of investment properties | 8 | **(4,280,000)** | (129,900,000) |
| Termination on right of use asset | | **(1,069,055)** | (803,601) |
| Provision for amount payable under *Sip Saviya* scheme | | **1,100,000** | 1,200,000 |
| **Cash flows from operating activities before working capital changes** | | **6,002,788,367** | 2,930,662,785 |
| **Changes in operating assets and operating liabilities** | | | |
| Financial assets at amortised cost – Loans and advances to customers | | **(7,245,354,854)** | (1,092,754,566) |
| Financial assets at amortised cost – Lease rentals receivables | | **(25,838,957,019)** | (10,823,293,727) |
| Financial assets at amortised cost – Loans and advances to others | | **41,369,603** | 52,388,052 |
| Other assets | | **(1,316,733,430)** | (516,384,584) |
| Financial liabilities at amortised cost – Due to customers | | **26,709,170,825** | 957,101,411 |
| Other liabilities | | **911,079,245** | 1,307,582,939 |
| **Cash flows used in operations** | | **(736,637,263)** | **(7,184,697,690)** |

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Gratuity paid | 35 | (53,425,716) | (81,764,814) |
| Income tax paid | 32 | (389,541,931) | (34,520,086) |
| Surcharge tax paid | 32 | – | (11,029,767) |
| Other taxes paid | 33 | (1,166,129,643) | (671,492,738) |
| Interest paid on lease liability | 34.1.2 | (70,215,027) | (53,825,869) |
| Crop Insurance Levy paid | | (13,331,003) | (4,575,352) |
| **Net cash flows used in operating activities** | | (2,429,280,583) | (8,041,906,316) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 27 | (169,974,313) | (132,616,302) |
| Purchase of intangible assets | 26.2 | (13,138,812) | (8,009,680) |
| Proceeds from sale of property, plant and equipment | | 522,882 | 1,881,900 |
| Net of investment in financial assets at amortised cost – Government securities | 23.1 | 324,751,815 | 8,203,936,483 |
| Net of investment in financial assets at amortised cost – Repo investments | 23.2 | (2,797,331,486) | (1,784,079,975) |
| Financial assets at amortised cost – Treasury bill interest received | 23.1 | 52,095,934 | 1,075,356,963 |
| Dividend received | 8 | 495,040 | 457,130 |
| **Net cash flows (used in)/generated from investing activities** | | (2,602,578,940) | 7,356,926,519 |
| **Cash flows from financing activities** | | | |
| Proceeds from right issue of ordinary shares | 36 | – | 1,193,186,274 |
| Interest payments on debentures | | (40,172,177) | (203,582,842) |
| Interest payments on borrowings | | (667,577,993) | (490,405,499) |
| Net settlement of debentures issued | 31.1 | (33,250,000) | (1,192,070,000) |
| Interest bearing loans and borrowings obtained during the year | 31.2 | 10,050,000,000 | 5,500,000,000 |
| Interest bearing loans and borrowings paid during the year | 31.2 | (4,272,200,000) | (3,523,900,000) |
| Lease rental payments | 34.1.2 | (119,747,741) | (149,653,686) |
| **Net cash flows generated from financing activities** | | 4,917,052,089 | 1,133,574,247 |
| Net (decrease)/increase in cash and cash equivalents | | (114,807,434) | 448,594,447 |
| Cash and cash equivalents at the beginning of the year | 17 | 1,582,022,331 | 1,133,427,884 |
| **Cash and cash equivalents at the end of the year** | 17 | 1,467,214,897 | 1,582,022,331 |

Figures in brackets indicate deductions

The Notes on pages 322 through 413 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

HNB Finance PLC (the "Company") is a public limited liability company incorporated in Sri Lanka on 20 December 1999 and reregistered under the Companies Act No. 07 of 2007. The Company is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011.

The registered office of the Company is situated at No. 168, Nawala Road, Nugegoda. The Company is a "Registered Finance Leasing establishment" under the Finance Leasing Act No. 56 of 2000.

The name of the Company was changed from HNB Grameen Finance Limited to HNB Finance Limited on 2 October 2018 and to HNB Finance PLC from 16 September 2020.

The Company got amalgamated with Prime Finance PLC effect from 12 May 2022. The surviving entity upon amalgamation is HNB Finance PLC. The staff strength of the Company as at 31 March 2026 was 1,907 (2025 – 1,931).

### 1.2 Principal Business Activities

The principal business activities are providing financial services and deposit mobilisation. The Company provides a wide range of services including Leasing, Hire Purchase, Micro Finance, Gold Loans, Property Mortgaged Loans, maintenance of Savings Accounts Deposits and acceptance of Fixed Deposits. There were no significant changes in the nature of principal activities of the Company during the financial period under review.

### 1.3 Parent Company and Ultimate Parent Company

The Company's Parent and ultimate parent entity is Hatton National Bank PLC which is a Licensed Commercial Bank incorporated in Sri Lanka.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company has been prepared in accordance with the Sri Lanka Accounting Standards (the "Accounting Standards"), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise:

- Sri Lanka Financial Reporting Standards ("SLFRS");
- Sri Lanka Accounting Standards ("LKAS");
- Statements of Recommended Practices (SoRPs);
- Statement of Alternate Treatment (SoATs) and
- Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

Further, these statements are consistent with the requirements of the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011.

### 2.2 Approval of Financial Statements by Directors

The Financial Statements were authorised for issue by the Board of Directors on 5 June 2026.

### 2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following:

- Financial assets are measured fair value through other comprehensive income (FVOCI)
- Liability for defined benefit obligation is measured at the present value of the defined benefit obligation using an actuarial valuation technique
- Investment properties are measured at cost at the time of acquisition and subsequently at revalued amounts
- Lands and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts

### 2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the functional and presentation currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee value unless indicated otherwise.

### 2.5 Offsetting

Financial assets and liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs/LKASs, or for gains and losses arising from a Group of similar transactions.

### 2.6 Comparative Information

The comparative information is reclassified where ever necessary to conform with the current year's classification in order to provide a better presentation and to be comparable with those of the current year.

### 2.7 Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility

includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error, applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

These Financial Statements include the following components.

- A Statement of Financial Position providing the information as at the year-end.
- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the period under review.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the period under review.
- A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows, and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

## 2.8 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the following notes:

### 2.8.1 Classification and impairment of financial assets

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

The Company also uses judgements in estimating the expected credit loss. Judgements are often used when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL which are further explained in Note 46 to the Financial Statements.

The Company uses estimates when determining inputs into the ECL measurement model, including incorporation of forward-looking information.

This includes an element of Management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances.

### 2.8.2 Going concern

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

### 2.8.3 Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are estimated using observable and unobservable markets.

### 2.8.4 Deferred tax assets

Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

### 2.8.5 Fair valuation of investment property

Fair valuation of investment property is determined using an external independent valuer. Valuation of these properties involves significant judgement, that are disclosed in notes to these Financial Statements.

### 2.8.6 Fair valuation of property plant and equipment – lands and buildings

Fair valuation of property plant and equipment – lands and buildings is determined using an external independent valuer. Valuation of these properties involves significant judgement, that are disclosed in notes to these Financial Statements.

### 2.8.7 Impairment of non financial assets

The carrying amount of all non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and Intangible assets with an indefinite useful life are tested annually for impairment.

### 2.8.8 Measurement of defined benefit obligation

The costs of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about mortality rates, staff turnover, disability rate, retirement age, rate of discount, salary increments etc.

### 2.8.9 Economic environment

Despite the improvements in the economic indicators, uncertainty remains in the local economic environment impacting the credit worthiness of the corporate and the individuals resulting in non-performing loans and recognition of impairment losses by the Company.

The significant accounting estimates impacted by uncertainties associated with the economic environment predominantly relate to expected credit losses, fair value measurement and the assessment of the recoverable amount of financial assets. The impact of the economic conditions on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## 3. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

## 3.1 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees-LKR) at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date of recognition. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of Profit or Loss.

## 4. New/amendments to accounting standard issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards are allowed, but the Company has not early adopted the new or amended standards in the preparation of these Financial Statements.

Accordingly, the Company has not applied these standards in preparing these Financial Statements.

1. SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
2. SLFRS S2 – Climate Related Disclosure
3. SLFRS 18 – Presentation and Disclosures in Financial Statements

## Net interest income

**ACCOUNTING POLICY**

### Net interest income

Interest income and expense are recognised in profit or loss using the effective interest method. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the assets is not credit-impaired) or to the amortised cost of the liability. However, for financial asset that have become credit-impaired subsequent to initial recognition, interest is calculated by applying the effective interest rate to the net amortised cost of the financial asset.

### Effective Interest Rate (EIR)

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The Company calculates effective interest rate by estimating future cash flows.

The calculation of the effective interest rate considers all transaction costs and fees paid or received where the transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Presentation

Interest income presented in the Statement of Profit or Loss includes,

- Interest on financial assets measured at amortised cost calculated under effective interest method.
- Interest income on lease receivables.

Interest expense presented in the Statement of Profit or Loss includes,

- Interest on financial liabilities measured at amortised cost.
- Interest expense on lease liabilities.

### Lease receivables

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

## 5. Interest income

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Interest calculated using effective interest method** | | | |
| Loans and advances to customers | | 4,624,815,956 | 4,864,378,988 |
| Loans and advances to others | | 8,537,778 | 12,847,853 |
| Financial assets at amortised cost – debt and other instruments | | 609,731,841 | 763,456,057 |
| Savings deposits | 5.1 | 55,515,142 | 48,221,357 |
| **Total interest income calculated under effective interest method** | | 5,298,600,717 | 5,688,904,255 |
| Lease rentals receivables | | 9,607,604,520 | 4,795,089,381 |
| **Total interest income** | | 14,906,205,237 | 10,483,993,636 |

**5.1** Interest income from savings deposits is derived from savings deposits held in other commercial bank.

## Notes to the Financial Statements

# 6. Interest expense

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Interest calculated using effective interest method** | | |
| Deposits from customers | 5,511,534,182 | 4,404,433,453 |
| Debentures issued | 39,918,019 | 163,552,900 |
| Subordinated trust | 475,886,575 | 287,898,630 |
| Other borrowings | 179,367,475 | 68,800,806 |
| **Total interest expense calculated under effective interest method** | 6,206,706,251 | 4,924,685,789 |
| Lease interest expense | 70,215,027 | 53,825,869 |
| **Total interest expense** | 6,276,921,278 | 4,978,511,658 |

# 7. Net fee and commission income

**ACCOUNTING POLICY**

Fee and commission income, including account servicing fees are recognised upon the performance of the related service. Fee and commission expenses relate mainly to transactions and service fees which are expensed as the services are received.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Gross fee and commission income | 7.1 | 1,508,683,600 | 1,242,884,987 |
| Gross fee and commission expenses | | (689,599,799) | (319,050,739) |
| **Net fee and commission income** | | 819,083,801 | 923,834,248 |

# 7.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major types of services.

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Loan and advances related services | 900,923,556 | 700,104,706 |
| Lease related services | 476,362,939 | 295,235,237 |
| Deposits related services | 131,397,105 | 247,545,044 |
| **Gross fee and commission income** | 1,508,683,600 | 1,242,884,987 |

## 7.2 Performance obligation and revenue recognition policies

The following table provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policies under SLFRS 15 |
|---|---|---|
| Loans and advance related services<br><br>Lease related services<br><br>Deposit related services | The Company provides various services to customers including documentation, account management and servicing fees | |
| | Transaction based fees are charged to customer's account when the transaction takes place | Revenue related to transactions is recognised at the point in time when the transaction takes place. |
| | Fees for ongoing account management are charged to customer's account on monthly basis. | Revenue from account service and servicing fees is recognised over time as the services are provided. |
| | Servicing fees are charged on a monthly basis and are based on rates reviewed annually by the Company. | |

## 7.3 Timing of revenue recognition

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Services transferred at a point in time | 1,213,586,785 | 823,079,187 |
| Services transferred over time | 295,096,815 | 419,805,800 |
| **Gross fee and commission income** | 1,508,683,600 | 1,242,884,987 |

## 8. Other operating income

**ACCOUNTING POLICY**

Rent income and insurance referral income are accounted on accrual basis.

Dividend income is recognised when the right to receive the payment is established.

Gain on disposal of property, plant and equipment and other non-current assets, including investments held by the Company have been accounted for in the Statement of Profit or Loss, after deducting from the net sales proceeds on disposal of the carrying amount of such assets. Profit or loss on contracts terminated, collections on contracts written off, interest on overdue rentals, interest earned on property sale and buy back agreements are accounted for on cash basis.

## Notes to the Financial Statements

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Rent income | | 91,981,028 | 81,534,742 |
| Recovery of loan balance written-off | | 171,956,368 | 138,778,890 |
| Profit from disposal of property, plant and equipment | | 459,085 | 1,584,234 |
| Dividend income | | 495,040 | 457,130 |
| Sundry income | | 368,350,948 | 198,987,492 |
| Insurance referral income | 8.1 | 424,707,041 | 196,831,115 |
| Assets registration income | | 69,636,414 | 45,757,302 |
| Default interest income | | 946,490,380 | 757,089,511 |
| Change in fair value of investment properties | 25 | 4,280,000 | 129,900,000 |
| **Total other operating income** | | 2,078,356,304 | 1,550,920,416 |

**8.1** Insurance referral income relates to the commission income earned by referring HNB Finance PLC customers to insurance company.

## 9. Impairment for loans, leases and other advances

**ACCOUNTING POLICY**

### Recognition of ECL

The Company recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Loans and advances to customers
- Lease rental receivables
- Loans and advance to others

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL:

– Debt investment securities that are determined to have low credit risk at the reporting date; and
– Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to "Stage 1 financial instruments". Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to "Stage 2 financial instruments".

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to "Stage 3 financial instruments".

### Measurement of ECL

ECL are a probability-weighted estimate of credit losses.

They are measured as follows:

– Financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
– Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

When discounting future cashflows, the following discount rates are used;

– Financial assets other than purchased or originated credit impaired financial assets or lease receivables: the original effective interest rate or an approximation thereof
– Purchased or originated credit impaired financial assets or lease receivables: a credit-adjusted effective interest rate
– Lease receivables: the discount rate used in measuring the lease receivable

## Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset. Restructured financial assets are to be accounted as explained in Note 16.

## Definition of default and credit impaired assets

At each reporting date, the Company generally considers financial assets defaulted as credit impaired (stage 3). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– Significant financial difficulty of the borrower or issuer;
– A breach of contract such as a default or past due event;
– The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan or a lease receivable that is past due for a period more than 90 days is classified as credit-impaired.

## Purchased or originated credit-impaired financial assets or lease receivables

These financial assets are assets that are credit-impaired on initial recognition. For these assets, lifetime ECL are incorporated into the calculation of the effective interest rate on the initial recognition. For these assets credit adjusted effective interest rate is calculated using estimated future cash flows including ECL. Consequently, these assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to the initial recognition is equal to the changes in lifetime ECL since initial recognition of assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

### Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

– Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
– Debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Company 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 included in "Other operating income" in the Income statement. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back to the profit or loss by reducing the impairment allowance accordingly.

# Notes to the Financial Statements

### Impairment charges for loans leases and advances

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Financial assets at amortised cost – Loans and advances to customers | 9.1 | 1,027,459,421 | 538,674,559 |
| Financial assets at amortised cost – Lease rentals receivables | 9.1 | 522,550,539 | 121,329,726 |
| **Total impairment charges for loans, leases and other advances** | | 1,550,009,960 | 660,004,285 |

The Company recognises changes in the impairment provisions of loans and receivables which are assessed as per the SLFRS 9 – Financial Instruments. Loans and advances and the related impairment allowance are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where the loans and advances are secured, this is generally after receipt of any proceeds from the realisation of security.

## Accounting judgements, estimates and assumptions used in ECL calculation

The measurement of impairment losses under SLFRS – 9 requires judgement across all categories of financial assets, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL allowances and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances. The Company's Expected Credit Loss (ECL) calculations are the outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered for accounting judgements and estimates include:

- the Company's criteria for assessing whether there has been a significant increase in credit risk as a result of which 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
- the selection of an estimation technique or modelling methodology, noting that the modelling of the Company's ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs

Judgements and associated assumptions have been made within the context of the impact of prevailing economic conditions and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the Company's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates. The following table summarises the key judgements and assumptions used by the company in relation to the ECL model inputs, and the interdependencies between those inputs.

| Judgement/ Assumption | Description | Considerations for the year ended 31 March 2026 |
|---|---|---|
| Determining when a Significant Increase in Credit Risk (SICR) has occurred | In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from 12 month ECL to life time ECL. | There were no material changes to the policies during the year ended 31 March 2026.<br><br>The accounting policy with reference to the SICR is given in the Note 46. |
| Base case economic forecast | The Company derives a forward-looking base case economic scenario which reflects the Company's view of the most likely future macro-economic condition. In this assessment the Company has considered forward looking information ranging from 3-6 years which matches the average tenor of the products. | As at 31 March 2026, the base case assumptions have been updated to reflect the evolving situation with respect to prevailing economic conditions and economic forecasts provided by the Central Bank of Sri Lanka, International Monetary Fund, Asian Development Bank and World Bank. |

| Judgement/ Assumption | Description | Considerations for the year ended 31 March 2026 |
|---|---|---|
| Probability weighting of each economic scenario (base case, best case and worse case scenarios) | Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. | The key consideration for probability weightings in the current period is the uncertainties associated with prevailing economic conditions. In addition to the base case forecast, which accounts for the lingering effects of the economic downturn the Company has placed greater emphasis on the worst case scenario in light of the ongoing uncertainties associated with economic conditions while there are improvements to the economic indicators. This decision reflects the Company's assessment of heightened downside risks as the economy shows signs of recovery amidst continuing challenges. It is important to note that the assigned probability weighting carry a high degree of inherent uncertainty. Consequently, the actual outcomes may significantly differ from those projected. |

| As at 31 March | 2026 % | 2025 % |
|---|---|---|
| Best case | 5 | 5 |
| Base case | 35 | 25 |
| Worst case | 60 | 70 |

Taking into consideration the above factors the Company has changed the weightages assigned to the three scenarios in 2026.

| | | |
|---|---|---|
| Post model adjustments | Temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to Company's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management overlay may impact the amount of ECL recognised.<br><br>The uncertainty associated with the prevailing economic conditions and the extent to which the actions of governments, businesses and consumers mitigate the potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, post model adjustments have been applied to ensure credit provisions are appropriate. | Under the collective assessment customers operating in tourism industry which is risk elevated for lifetime ECL.<br><br>Exposures outstanding from the borrowers operating in these industries have been downgraded by a stage for the calculation of lifetime ECL. As a result the cumulative overlay on industries identified as risk elevated was LKR 82 Mn. as at 31 March 2026 (2025: LKR 312 Mn.). Construction and infrastructure industry and apparel industry which have shown an improvement compared to prior year have not been considered as risk elevated industries as at 31 March 2026. |

## Notes to the Financial Statements

## 9.1 Impairment charges/(reversals) – Loans and leases

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Financial assets at amortised cost – Loans and advances to customers** | | |
| Stage 1 | (8,447,952) | (27,783,946) |
| Stage 2 | (125,658,115) | (253,689,343) |
| Stage 3 | 1,161,565,488 | 820,147,848 |
| | 1,027,459,421 | 538,674,559 |
| **Financial assets at amortised cost – Lease rentals receivables** | | |
| Stage 1 | 198,647,261 | 85,078,095 |
| Stage 2 | 115,144,236 | (32,582,222) |
| Stage 3 | 208,759,042 | 68,833,853 |
| | 522,550,539 | 121,329,726 |
| **Total impairment charge for loans and leases** | 1,550,009,960 | 660,004,285 |

## 10. Personnel expenses

ACCOUNTING POLICY

Personnel expenses include salaries, bonuses, terminal benefits and other staff-related expenses.

### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

### Employees' Provident Fund (EPF):

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the above-mentioned funds.

### Employees' Trust Fund (ETF):

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

### Defined benefits plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every year by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognised as personnel expenses in Income Statement. This retirement benefit obligation is not externally funded. However, according to the Payment of Gratuity Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Salaries and bonus | | 1,838,408,038 | 1,651,194,097 |
| Other personnel expenses | | 156,375,380 | 132,969,021 |
| Employer's contribution to Employees' Provident Fund | | 183,624,426 | 168,873,006 |
| Employer's contribution to Employees' Trust Fund | | 45,906,106 | 42,199,446 |
| Retirement benefit cost | 35.1 | 75,028,687 | 75,310,192 |
| | | 2,299,342,637 | 2,070,545,762 |

## 11. Depreciation and amortisation expenses

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Depreciation on property, plant and equipment | 27 | 162,440,360 | 154,635,493 |
| Amortisation expenses of right of use asset | 28 | 144,039,684 | 131,112,566 |
| Amortisation expenses of intangible assets | 26 | 36,457,851 | 68,926,554 |
| | | 342,937,895 | 354,674,613 |

## 12. Other operating expenses

**ACCOUNTING POLICY**

### Expenses recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year. For the presentation of the Income Statement the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

### Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

| For the year ended 31 March | | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Advertising and related expenses | | 259,584,646 | 119,623,444 |
| Auditors remuneration | – Audit fees | 6,925,000 | 6,250,000 |
| | – Other services | 4,930,000 | 672,000 |
| Crop insurance levy | | 17,126,571 | 6,731,387 |
| Donations | | – | 31,160 |
| Legal expenses and professional fees | | 58,812,022 | 61,873,053 |
| Office administration and establishment expenses | | 3,119,822,154 | 2,544,965,812 |
| | | 3,467,200,393 | 2,740,146,856 |

## 13. Taxes on financial services

ACCOUNTING POLICY

### Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees. The VAT on financial services is recognised as expense in the period it becomes due.

VAT on financial services rate applied is 18%. (2025 – 18%)

### Social Security Contribution Levy

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover as per 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 attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to the Value Added Tax Act No. 14 of 2002.

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Value added tax on financial services | 1,017,673,540 | 645,844,802 |
| Social security contribution levy | 139,686,376 | 88,123,895 |
| | 1,157,359,916 | 733,968,697 |

# 14. Income tax expense

**ACCOUNTING POLICY**

### Tax expense

Tax expense comprises current tax, deferred tax and other statutory taxes. Income tax and deferred tax expense are recognised in Statement of Profit or Loss except to the extent that it relates to items recognised in the Other Comprehensive Income or Statement of Changes in Equity.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, contingent liabilities and contingent assets.

### Current tax expense

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and is measured using the tax rates enacted or substantively enacted as at the reporting date.

### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences arising in the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Income Statement.

### Withholding tax on dividends

Dividend distributed out of taxable profit of the local companies attracts a deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Recognised in the profit or loss** | | | |
| Income tax on profit for the year | 14.1 | 1,023,987,386 | 112,218,575 |
| Under/(over) provision for previous years | | 642,002 | (145,676) |
| Provision for Income tax assessment | 32.1 | – | 16,958,233 |
| Deferred tax charge | 29.2 | 4,274,625 | 527,351,660 |
| **Total income tax charge** | | 1,028,904,013 | 656,382,792 |
| **Recognised in the other comprehensive income** | | | |
| Deferred tax (reversal)/charge | 29.2 | (5,500,308) | 12,956,557 |
| | | (5,500,308) | 12,956,557 |

## Notes to the Financial Statements

## 14.1 Numerical reconciliation of accounting profit to income tax expense

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Accounting profit before income tax expense | | 2,709,873,263 | 1,420,896,429 |
| **Add:** | | | |
| Disallowable expenses | | 3,174,342,197 | 1,777,027,264 |
| **Deduct:** | | | |
| Allowable expenses | | (1,736,497,536) | (1,372,105,747) |
| **Tax credits** | | | |
| Tax losses claimed | 14.2 | – | (656,026,124) |
| Tax credit from amalgamation | 14.3 | (734,426,633) | (795,729,904) |
| **Taxable income** | | 3,413,291,291 | 374,061,918 |
| Income tax at 30% | | 1,023,987,386 | 112,218,575 |
| **Current income tax expense** | | 1,023,987,386 | 112,218,575 |

The Company has calculated the provision for income tax at the rate of 30% on profits for the year ended 31 March 2026 (2025 – 30%).

## 14.2 Accumulated tax losses

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | – | 655,880,448 |
| Under/over provision adjustment | – | 145,676 |
| Tax losses utilised during the year | – | (656,026,124) |
| **Balance as at 31 March** | – | – |

## 14.3 Tax credit on amalgamation

Tax credit on amalgamation includes the amount claimed out of the tax credit arisen due to the amalgamation of the Company with Prime Finance PLC during the year ended 31 March 2022 as comprehensively explained in note 29.4 to the financial statements.

## 14.4 Surcharge tax

HNB Finance PLC amalgamated its operation with Prime Finance PLC during the year 2022 with the surviving entity being HNB Finance PLC. During the year ended 31 March 2025 the Company and Prime Finance PLC has received surcharge tax assessments in accordance with Surcharge Tax Act No 12 of 2022 as follows.

| | 2026 LKR | 2025 LKR |
|---|---|---|
| Surcharge tax on profit of HNB Finance PLC | – | 11,029,767 |
| Surcharge tax on profit of Prime Finance PLC | – | 41,563,383 |
| | – | 52,593,150 |

The surcharge tax act No. 14 of 2022 was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 8 April 2022. As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22 April 2022, Surcharge Tax expense which was deemed to be an expenditure for the year of assessment which commenced on 1 April 2020, was recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1 April 2022. The surcharge tax of LKR 52,593,150/- was recognised as an adjustment to the retained earnings as at 1 April 2024.

Penalty and interest amounting to LKR 4,632,502 related to the surcharge tax on the profit of HNB Finance PLC was settled in full during the year ended 31 March 2025 and is recognised in profit or loss for the year ended 2025. Refer note 43.2.1 to these Financial Statements related to the penalty and interest on the surcharge tax related to the profits of Prime Finance PLC.

## 15. Earnings per share

**ACCOUNTING POLICY**

The Company presents basic and diluted earnings per share data for its ordinary shares.

## 15.1 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year and is calculated as follows;

| For the year ended 31 March | Note | 2026 | 2025 |
|---|---|---|---|
| Net profit attributable to the ordinary shareholders for the year (LKR) | | 1,680,969,250 | 764,513,637 |
| Weighted average number of ordinary shares outstanding during the year | 15.2 | 2,077,826,587 | 1,777,259,900 |
| Basic earnings per share (LKR) | | 0.81 | 0.43 |

## 15.2 Movement in ordinary shares

| | Outstanding Number of Shares | | Weighted Average Number of Shares | |
|---|---|---|---|---|
| For the year ended 31 March | 2026 | 2025 | 2026 | 2025 |
| Number of shares held as at 1 April | 2,077,826,587 | 1,719,580,624 | 2,077,826,587 | 1,719,580,624 |
| Right issue of ordinary shares | – | 358,245,963 | – | 57,679,276 |
| **Number of shares held as at 31 March** | 2,077,826,587 | 2,077,826,587 | 2,077,826,587 | 1,777,259,900 |
| **Weighted average number of ordinary shares as at 31 March** | 2,077,826,587 | 2,077,826,587 | 2,077,826,587 | 1,777,259,900 |

## 15.3 Diluted earnings per share

Diluted earnings per share is determined by adjusting the profit or loss that is 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 options granted to employees.

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share as shown above.

## 16. Financial instruments

ACCOUNTING POLICY

### Recognition and initial measurement of financial assets

The Company initially recognise loans and advances on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value plus, for an item which is not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

### Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost or FVOCI. A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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 (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions.

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis. All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed, and information is provided to Management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

– The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activities

However, information about sales activities is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

### Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Company considers:

– Contingent events that would change the amount and timing of cash flows;
– Leverage features;
– Prepayment and extension terms;
– Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
– Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### Reclassifications of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

### Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets. In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

### Modification of financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
– Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash

# Notes to the Financial Statements

flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

## Subsequent measurement and gains or losses

| | |
|---|---|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Equity investments at FVOCI | These are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

## Fair value measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company 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 on initial recognition is normally the transaction price – i.e, the fair value of the consideration given or received. If the Company determines that the fair value on 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 nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a financial liability with a demand feature (e.g, 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. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

## Fair value hierarchy

The Company measures the fair value using the following value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of value measurement of financial and non-financial assets and liabilities is provided in Note 48.

### Level 1

inputs that are quoted market prices and (unadjusted) in an active market for identical instruments.

When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations, without any deduction for transaction costs. A market is regarded as active transactions for assets all liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Input other than quoted prices include within level 1 that are observable either directly (i.e., as prices) or indirectly, (i.e., derived from prices). this category includes instruments valued using;

(a) quoted prices in active markets for similar instruments

(b) quoted prices for identical, similar instruments in markets that are considered to be less active or

(c) other valuation techniques in which almost all significant instruments are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments, for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rate, bond and equity prices, for exchange rates, expected price volatilities, and corrections.

Observable prices of model input, such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury bills and Treasury bonds. The availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing the uncertainty associated in determining the values".

**Designation at Fair Value Through Profit or Loss (FVTPL)**

The Company does not have any financial liabilities designated as at FVTPL.

Financial instruments are measured continuously either at fair value or at amortised cost. The summary of significant accounting policies outlines the measurement approach for each category of financial instruments, as well as the recognition of income, expenses, and fair value gains and losses. The below table provides an analysis of the carrying amounts of the financial instruments categorised according to the guidelines set forth in Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments: Recognition and Measurement".

## 16.1 Classification of financial assets and liabilities as per SLFRS 9 – "Financial Instruments"

| As at 31 March 2026 | Measured at fair value through other comprehensive income (FVOCI) LKR | Measured at amortised cost LKR | Total LKR |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | – | 1,467,214,897 | 1,467,214,897 |
| Financial assets at amortised cost – Loans and advances to customers | – | 25,261,315,194 | 25,261,315,194 |
| Financial assets at amortised cost – Lease rentals receivables | – | 51,017,013,327 | 51,017,013,327 |
| Financial assets at amortised cost – Loans and advances to others | – | 53,872,176 | 53,872,176 |
| Financial assets measured at FVOCI | 5,458,327 | – | 5,458,327 |
| Financial assets at amortised cost – Debt and other instruments | – | 10,013,057,139 | 10,013,057,139 |
| Other financial assets | – | 62,463,025 | 62,463,025 |
| **Total financial assets** | 5,458,327 | 87,874,935,758 | 87,880,394,085 |

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| | Measured at fair value through profit or loss (FVTPL) LKR | Measured at amortised cost LKR | Total LKR |
|---|---|---|---|
| **Liabilities** | | | |
| Financial liabilities at amortised cost – Due to customers | – | 68,927,152,130 | 68,927,152,130 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | – | 10,499,515,003 | 10,499,515,003 |
| Other financial liabilities | – | 3,769,000,507 | 3,769,000,507 |
| **Total financial liabilities** | – | 83,195,667,640 | 83,195,667,640 |

| As at 31 March 2025 | Financial assets measured at fair value through other comprehensive income (FVOCI) LKR | Financial assets measured at amortised cost LKR | Total LKR |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | – | 1,582,022,331 | 1,582,022,331 |
| Financial assets at amortised cost – Loans and advances to customers | – | 19,043,419,761 | 19,043,419,761 |
| Financial assets at amortised cost – Lease rentals receivables | – | 25,700,606,847 | 25,700,606,847 |
| Financial assets at amortised cost – Loans and advances to others | – | 95,241,779 | 95,241,779 |
| Financial assets measured at FVOCI | 4,324,073 | – | 4,324,073 |
| Financial assets at amortised cost – Debt and other instruments | – | 6,982,841,561 | 6,982,841,561 |
| Other financial assets | – | 76,415,318 | 76,415,318 |
| **Total financial assets** | 4,324,073 | 53,480,547,597 | 53,484,871,670 |

| | Financial liabilities measured at fair value through profit or loss (FVTPL) LKR | Financial liabilities measured at amortised cost LKR | Total LKR |
|---|---|---|---|
| **Liabilities** | | | |
| Financial liabilities at amortised cost – Due to customers | – | 42,217,981,305 | 42,217,981,305 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | – | 4,767,543,102 | 4,767,543,102 |
| Other financial liabilities | | 2,795,198,277 | 2,795,198,277 |
| **Total financial liabilities** | – | 49,780,722,684 | 49,780,722,684 |

## 17. Cash and cash equivalents

**ACCOUNTING POLICY**

"Cash and cash equivalents" include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in managing its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Favorable balances** | | | |
| Cash in hand | | 674,668,885 | 541,691,800 |
| Balances with banks | 17.1 | 792,546,012 | 1,040,330,531 |
| | | 1,467,214,897 | 1,582,022,331 |

## 17.1 Balance with banks

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Fitch Rating** | | |
| AA- (lka) | 468,977,217 | 838,968,055 |
| A+ (lka) | 307,984,775 | 98,074,412 |
| A (lka) | 15,516,459 | 103,149,066 |
| BBB- (lka) | 67,561 | 138,998 |
| | 792,546,012 | 1,040,330,531 |

## 18. Financial assets at amortised cost – Loans and advances to customers

Refer the material accounting policy under Note No. 16.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Loans and advances to customers | | 30,371,478,930 | 23,852,883,680 |
| Less – Allowance for impairment losses | 18.1 | (5,110,163,736) | (4,809,463,919) |
| | | 25,261,315,194 | 19,043,419,761 |

## Notes to the Financial Statements

## 18.1 Financial assets at amortised cost – Loans and advances to customers product wise

| For the year ended 31 March | Note | 2026 Amortised cost LKR | 2026 Impairment LKR | 2025 Amortised cost LKR | 2025 Impairment LKR |
|---|---|---|---|---|---|
| Loans and advances | 18.2 | 13,610,007,751 | 4,949,597,927 | 14,505,402,846 | 4,720,335,966 |
| Gold loans | 18.3 | 16,056,580,947 | 160,565,809 | 8,912,795,365 | 89,127,953 |
| Loans against fixed deposits | 18.4 | 704,890,232 | – | 434,685,469 | – |
| | | 30,371,478,930 | 5,110,163,736 | 23,852,883,680 | 4,809,463,919 |

## 18.2 Loans and advances

### 18.2.1 Loans and advances to customers

| As at 31 March 2026 | Gross loans and advances to customers LKR | Allowance for impairment losses LKR | Net loans and advances to customers LKR |
|---|---|---|---|
| Stage – 1 | 6,855,413,842 | 139,231,607 | 6,716,182,235 |
| Stage – 2 | 1,087,453,795 | 102,762,430 | 984,691,365 |
| Stage – 3 | 5,667,140,114 | 4,707,603,890 | 959,536,224 |
| | 13,610,007,751 | 4,949,597,927 | 8,660,409,824 |

| As at 31 March 2025 | Gross loans and advances to customers LKR | Allowance for impairment losses LKR | Net loans and advances to customers LKR |
|---|---|---|---|
| Stage – 1 | 5,823,594,080 | 218,839,532 | 5,604,754,548 |
| Stage – 2 | 1,682,269,420 | 228,623,705 | 1,453,645,715 |
| Stage – 3 | 6,999,539,346 | 4,272,872,729 | 2,726,666,617 |
| | 14,505,402,846 | 4,720,335,966 | 9,785,066,880 |

### 18.2.2 Allowance for impairment losses

(a) Allowance for individually assessed portfolio

| As at 31 March 2026 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2025 | – | – | 262,932,517 | 262,932,517 |
| Reversal for the year | – | – | (43,857,076) | (43,857,076) |
| **Balance as at 31 March 2026** | – | – | 219,075,441 | 219,075,441 |

| As at 31 March 2025 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2024 | – | – | 283,624,547 | 283,624,547 |
| Reversal for the year | – | – | (20,692,030) | (20,692,030) |
| **Balance as at 31 March 2025** | – | – | 262,932,517 | 262,932,517 |

(b) Allowance for collectively assessed portfolio

| As at 31 March 2026 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2025 | 218,839,532 | 228,623,705 | 4,009,940,212 | 4,457,403,449 |
| Charge/(Reversal) for the year | (79,607,925) | (125,861,275) | 1,205,347,841 | 999,878,641 |
| Amount written off | – | – | (726,759,604) | (726,759,604) |
| **Balance as at 31 March 2026** | 139,231,607 | 102,762,430 | 4,488,528,449 | 4,730,522,486 |

| As at 31 March 2025 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2024 | 279,147,147 | 484,895,093 | 3,761,228,845 | 4,525,271,085 |
| Charge/(reversal) | (60,307,615) | (256,271,388) | 840,831,694 | 524,252,691 |
| Amount written off | – | – | (592,120,327) | (592,120,327) |
| **Balance as at 31 March 2025** | 218,839,532 | 228,623,705 | 4,009,940,212 | 4,457,403,449 |

## 18.2.3 Movement in impairment allowance – Loans and advances

| | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | 4,720,335,966 | 4,808,895,632 |
| Charge for the year | 956,021,565 | 503,560,661 |
| Amount written off | (726,759,604) | (592,120,327) |
| Balance as at 31 March | 4,949,597,927 | 4,720,335,966 |
| Allowance for individually assessed portfolio | 219,075,441 | 262,932,517 |
| Allowance for collectively assessed portfolio | 4,730,522,486 | 4,457,403,449 |
| **Total** | 4,949,597,927 | 4,720,335,966 |

## 18.3 Gold Loans

### 18.3.1 Net receivables on Gold loans

| As at 31 March 2026 | Gross loans receivable LKR | Allowance for impairment losses LKR | Total net loans receivable LKR |
|---|---|---|---|
| Stage – 1 | 15,075,700,703 | 150,757,007 | 14,924,943,696 |
| Stage – 2 | 970,094,732 | 9,700,947 | 960,393,785 |
| Stage – 3 | 10,785,512 | 107,855 | 10,677,657 |
| | 16,056,580,947 | 160,565,809 | 15,896,015,138 |

| As at 31 March 2025 | Gross loans receivable LKR | Allowance for impairment losses LKR | Total net loans receivable LKR |
|---|---|---|---|
| Stage – 1 | 7,959,703,290 | 79,597,033 | 7,880,106,257 |
| Stage – 2 | 949,778,772 | 9,497,787 | 940,280,985 |
| Stage – 3 | 3,313,303 | 33,133 | 3,280,170 |
| | 8,912,795,365 | 89,127,953 | 8,823,667,412 |

### 18.3.2 Allowance for impairment losses – Gold loans

(a) Movement in impairment allowance

| | 2026 LKR | 2025 LKR |
|---|---|---|
| **Balance as at 1 April** | 89,127,953 | 54,014,055 |
| Charge for the year | 71,437,856 | 35,113,898 |
| **Balance as at 31 March** | 160,565,809 | 89,127,953 |

(b) Movement in impairment allowance during the year – Collective assessment (Gold)

| As at 31 March 2026 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2025 | 79,597,033 | 9,497,787 | 33,133 | 89,127,953 |
| Charge for the year | 71,159,973 | 203,161 | 74,722 | 71,437,856 |
| **Balance as at 31 March 2026** | 150,757,006 | 9,700,948 | 107,855 | 160,565,809 |

| As at 31 March 2025 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2024 | 47,073,364 | 6,915,742 | 24,949 | 54,014,055 |
| Charge for the year | 32,523,669 | 2,582,045 | 8,184 | 35,113,898 |
| **Balance as at 31 March 2025** | 79,597,033 | 9,497,787 | 33,133 | 89,127,953 |

## 18.4 Loans against deposits

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Loans against deposits | 694,108,186 | 421,901,629 |
| Interest receivable on loans against deposits | 10,782,046 | 12,783,840 |
| | 704,890,232 | 434,685,469 |

## 18.5 Movement in allowance for expected credit losses – Loans and advance to customers

| As at 31 March 2026 | Stage – 1 12-month ECL LKR | Stage – 2 Lifetime ECL not credit impaired LKR | Stage – 3 Lifetime ECL credit impaired LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April | 298,436,565 | 238,121,492 | 4,272,905,862 | 4,809,463,919 |
| *Changes due to loans and advances recognised in opening balance that have been;* | | | | |
| – Transferred from 12 month ECL | (46,455,379) | 18,479,875 | 27,975,504 | – |
| – Transferred from lifetime ECL not credit impaired | 32,286,171 | (125,342,915) | 93,056,744 | – |
| – Transferred from lifetime ECL credit impaired | 77,418,771 | 9,091,135 | (86,509,906) | – |
| – Amount written off | – | – | (726,759,604) | (726,759,604) |
| New assets originated or purchased | 242,750,212 | 72,221,090 | 99,714,246 | 414,685,548 |
| Financial assets derecognised or repaid (excluding write offs) | (211,373,070) | (79,871,188) | (782,117,189) | (1,073,361,447) |
| Net remeasurement of loss allowances | (103,074,655) | (20,236,114) | 1,809,446,089 | 1,686,135,320 |
| **Balance as at 31 March** | 289,988,615 | 112,463,375 | 4,707,711,746 | 5,110,163,736 |

| As at 31 March 2025 | Stage – 1 12-month ECL LKR | Stage – 2 Lifetime ECL not credit impaired LKR | Stage – 3 Lifetime ECL credit impaired LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April | 326,220,511 | 491,810,835 | 4,044,878,342 | 4,862,909,688 |
| *Changes due to loans and advances recognised in opening balance that have been;* | | | | |
| – Transferred from 12 month ECL | (104,266,903) | 41,389,357 | 62,877,546 | – |
| – Transferred from lifetime ECL not credit impaired | 41,637,037 | (67,587,502) | 25,950,465 | – |
| – Transferred from lifetime ECL credit impaired | 35,030,157 | 160,417,637 | (195,447,794) | – |
| – Amount written off | – | – | (592,120,330) | (592,120,330) |
| New assets originated or purchased | 415,735,837 | – | – | 415,735,837 |
| Financial assets derecognised or repaid (excluding write offs) | (197,805,293) | (155,987,256) | (368,371,865) | (722,164,414) |
| Net remeasurement of loss allowances | (218,114,781) | (231,921,576) | 1,295,139,498 | 845,103,138 |
| **Balance as at 31 March** | 298,436,565 | 238,121,492 | 4,272,905,862 | 4,809,463,919 |

## 19. Financial assets at amortised cost – Lease rentals receivables

**ACCOUNTING POLICY**

When the Company acts as the lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of risks and rewards incidental to ownership of the underlying asset. If this is the case, lease is a finance lease; if not it is an operating lease.

At the commencement date of a finance lease the Company recognises assets held under finance lease in its statement of financial position and present them as a receivable at an amount equal to the net rentals receivable.

The Company applies the de-recognition and impairment requirements in SLFRS 9 to the lease rental receivables.

| | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Rentals receivable | | 69,093,938,407 | 34,654,214,257 |
| Unearned lease income | | (16,965,248,647) | (8,273,118,899) |
| Gross rental receivables before charging allowance for impairment losses | 19.1 | 52,128,689,760 | 26,381,095,358 |
| Allowance for impairment losses | 19.2 | (1,111,676,433) | (680,488,511) |
| **Total net rentals receivable** | | 51,017,013,327 | 25,700,606,847 |

## 19.1 Lease rentals receivable

| As at 31 March 2026 | Gross loans receivable LKR | Allowance for impairment losses LKR | Net rentals receivable LKR |
|---|---|---|---|
| Stage – 1 | 44,044,207,663 | 439,358,725 | 43,604,848,938 |
| Stage – 2 | 7,255,575,382 | 316,202,733 | 6,939,372,649 |
| Stage – 3 | 828,906,715 | 356,114,975 | 472,791,740 |
| | 52,128,689,760 | 1,111,676,433 | 51,017,013,327 |

| As at 31 March 2025 | Gross loans receivable LKR | Allowance for impairment losses LKR | Total net loans receivable LKR |
|---|---|---|---|
| Stage – 1 | 21,362,945,195 | 240,711,465 | 21,122,233,730 |
| Stage – 2 | 4,391,108,994 | 201,058,497 | 4,190,050,497 |
| Stage – 3 | 627,041,169 | 238,718,549 | 388,322,620 |
| | 26,381,095,358 | 680,488,511 | 25,700,606,847 |

## 19.2 Allowance for impairment losses

(a) Movement in impairment allowance

| | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | 680,488,511 | 1,194,054,668 |
| Charge for the year | 522,550,539 | 121,329,725 |
| Amount written off | (91,362,617) | (634,895,882) |
| Balance as at 31 March | 1,111,676,433 | 680,488,511 |
| Individual impairment | 171,308,937 | 112,500,265 |
| Collective impairment | 940,367,496 | 567,988,246 |
| **Total** | 1,111,676,433 | 680,488,511 |

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(b) Allowance for collectively assessed portfolio

| As at 31 March 2026 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2025 | 240,711,464 | 201,058,497 | 126,218,285 | 567,988,246 |
| Charge for the year | 198,647,261 | 115,144,236 | 73,997,054 | 387,788,551 |
| Amount written off | – | – | (15,409,301) | (15,409,301) |
| **Balance as at 31 March 2026** | 439,358,725 | 316,202,733 | 184,806,038 | 940,367,496 |

| As at 31 March 2025 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2024 | 155,633,370 | 233,640,719 | 362,340,621 | 751,614,710 |
| Charge/(reversal) for the year | 85,078,094 | (32,582,222) | (229,599,273) | (177,103,401) |
| Amount written off | – | – | (6,523,063) | (6,523,063) |
| **Balance as at 31 March 2025** | 240,711,464 | 201,058,497 | 126,218,285 | 567,988,246 |

(c) Allowance for individually assessed portfolio

| As at 31 March 2026 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2025 | – | – | 112,500,265 | 112,500,265 |
| Charge for the year | – | – | 134,761,988 | 134,761,988 |
| Amount written off | – | – | (75,953,316) | (75,953,316) |
| **Balance as at 31 March 2026** | – | – | 171,308,937 | 171,308,937 |

| As at 31 March 2025 | Stage – 1 LKR | Stage – 2 LKR | Stage – 3 LKR | Total LKR |
|---|---|---|---|---|
| Balance as at 1 April 2024 | – | – | 442,439,958 | 442,439,958 |
| Charge for the year | – | – | 298,433,126 | 298,433,126 |
| Amount written-off | – | – | (628,372,819) | (628,372,819) |
| **Balance as at 31 March 2025** | – | – | 112,500,265 | 112,500,265 |

## 19.3 Contractual maturity analysis of lease rentals receivables

| As at 31 March 2026 | Within one year LKR | 1 to 5 years LKR | Over 5 years LKR | Total LKR |
|---|---|---|---|---|
| Rentals receivables | 34,646,507,328 | 34,326,664,304 | 120,766,775 | 69,093,938,407 |
| Less: Unearned income | (8,590,496,052) | (8,366,978,809) | (7,773,786) | (16,965,248,647) |
| *Gross rentals receivable before charging allowance for impairment losses* | 26,056,011,276 | 25,959,685,495 | 112,992,989 | 52,128,689,760 |
| Less: Allowance for impairment losses | | | | (1,111,676,433) |
| **Total net rental receivable** | | | | 51,017,013,327 |

| As at 31 March 2025 | Within one year LKR | 1 to 5 years LKR | Over 5 years LKR | Total LKR |
|---|---|---|---|---|
| Rentals receivables | 7,352,555,926 | 27,297,760,879 | 3,897,451 | 34,654,214,256 |
| Less: Unearned income | (140,307,601) | (8,131,574,405) | (1,236,893) | (8,273,118,899) |
| *Gross rentals receivable before charging allowance for impairment losses* | 7,212,248,325 | 19,166,186,474 | 2,660,558 | 26,381,095,357 |
| Less: Allowance for impairment losses | | | | (680,488,511) |
| **Total net rental receivable** | | | | 25,700,606,846 |

## 19.4 Movement in allowance for expected credit losses – Lease rentals receivables

| As at 31 March 2026 | Stage-1 12-month ECL LKR | Stage-2 Lifetime ECL not credit impaired LKR | Stage-3 Lifetime ECL credit impaired LKR | Total LKR |
|---|---|---|---|---|
| **Balance as at 1 April** | 240,711,464 | 201,058,497 | 238,718,550 | 680,488,511 |
| *Changes due to lease rental receivables recognised in opening balance that have been;* | | | | |
| – Transferred from 12 month ECL | (29,747,653) | 27,736,226 | 2,011,427 | – |
| – Transferred from lifetime ECL not credit impaired | 34,525,689 | (45,006,232) | 10,480,543 | – |
| – Transferred from lifetime ECL credit impaired | 2,814,120 | 1,128,901 | (3,943,021) | – |
| – Amount written off | – | – | (91,362,617) | (91,362,617) |
| New assets originated or purchased | 352,353,184 | 187,369,398 | 59,276,733 | 598,999,315 |
| Financial assets derecognised or repaid (excluding write offs) | (97,277,490) | (108,020,925) | (58,942,092) | (264,240,507) |
| Net remeasurement of loss allowances | (64,020,590) | 51,936,869 | 199,875,452 | 187,791,731 |
| **Balance as at 31 March** | 439,358,724 | 316,202,734 | 356,114,975 | 1,111,676,433 |

| As at 31 March 2025 | Stage-1 12-month ECL LKR | Stage-2 Lifetime ECL not credit impaired LKR | Stage-3 Lifetime ECL credit impaired LKR | Total LKR |
|---|---|---|---|---|
| **Balance as at 1 April** | 155,633,370 | 233,640,719 | 804,780,579 | 1,194,054,668 |
| *Changes due to lease rental receivables recognised in opening balance that have been;* | | | | |
| – Transferred from 12 month ECL | (55,700,393) | 48,501,005 | 7,199,388 | – |
| – Transferred from lifetime ECL not credit impaired | 27,681,258 | (35,366,479) | 7,685,221 | – |
| – Transferred from lifetime ECL credit impaired | 938,458 | 11,778,516 | (12,716,974) | – |
| – Amount written off | – | – | (634,895,880) | (634,895,880) |
| New assets originated or purchased | 284,854,580 | – | – | 284,854,580 |
| Financial assets derecognised or repaid (excluding write offs) | (63,068,558) | (103,755,434) | 59,335,023 | (107,488,969) |
| Net remeasurement of loss allowances | (109,627,251) | 46,260,170 | 7,331,193 | (56,035,888) |
| **Balance as at 31 March** | 240,711,464 | 201,058,497 | 238,718,550 | 680,488,511 |

## 20. Financial assets at amortised cost – Loans and advances to others

Refer the material accounting policy under Note 16.

| As at 31 March 2026 | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Staff loans | 20.1 | 3,194,525 | 15,240,242 |
| Mortgage loans | | 50,677,651 | 80,001,537 |
| | | 53,872,176 | 95,241,779 |

## 20.1 Staff loans

| | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Balance as at 1 April | | 15,240,242 | 31,204,197 |
| Loans granted during the year | | – | – |
| Recovered during the year | | (12,045,717) | (15,963,955) |
| **Balance as at 31 March** | | 3,194,525 | 15,240,242 |

## 21. Allowance for impairment losses – Loans and advances, lease rental receivables

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Balance as at 1 April** | | 5,489,952,430 | 6,056,964,355 |
| Charge for the year – Loans and advances to customers | 9.1 | 1,027,459,421 | 538,674,559 |
| Charge for the year – Lease rentals receivables | 9.1 | 522,550,539 | 121,329,726 |
| Written off during the year | | (818,122,221) | (1,227,016,210) |
| **Balance as at 31 March** | | 6,221,840,169 | 5,489,952,430 |

## 21.1 Movement in impairment allowance

| | | Collective | | | Individual | |
|---|---|---|---|---|---|---|
| For the year ended 31 March 2026 | Note | Stage 1 LKR | Stage 2 LKR | Stage 3 LKR | Stage 3 LKR | Total LKR |
| **Financial assets at amortised cost – Loans and advances to customers** | | | | | | |
| Balance as at 1 April 2025 | | 298,436,565 | 238,121,492 | 4,009,973,345 | 262,932,517 | 4,809,463,919 |
| (Reversal)/charge for the year | | (8,447,952) | (125,658,115) | 1,205,422,564 | (43,857,076) | 1,027,459,421 |
| Amount written off | | – | – | (726,759,604) | – | (726,759,604) |
| **Balance as at 31 March 2026** | 18.2 & 18.3 | 289,988,613 | 112,463,377 | 4,488,636,305 | 219,075,441 | 5,110,163,736 |
| **Financial assets at amortised cost - Lease rentals receivables** | | | | | | |
| Balance as at 1 April 2025 | | 240,711,464 | 201,058,497 | 126,218,285 | 112,500,265 | 680,488,511 |
| Charge/(reversal) for the year | | 198,647,261 | 115,144,236 | 73,997,054 | 134,761,988 | 522,550,539 |
| Amount written off | | – | – | (15,409,301) | (75,953,316) | (91,362,617) |
| **Balance as at 31 March 2026** | 19.2 | 439,358,725 | 316,202,733 | 184,806,038 | 171,308,937 | 1,111,676,433 |
| **Total** | | 729,347,339 | 428,666,110 | 4,673,442,343 | 390,384,378 | 6,221,840,169 |

## 21.2 Product wise impairment analysis

| As at 31 March 2026 | Note | Collective Stage 1 LKR | Collective Stage 2 LKR | Individual Stage 3 LKR | Individual Stage 3 LKR | Total LKR |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 18.2.2 | 139,231,606 | 102,762,430 | 4,488,528,450 | 219,075,441 | 4,949,597,927 |
| Gold loans | 18.3.1 | 150,757,007 | 9,700,947 | 107,855 | – | 160,565,809 |
| Lease rental receivables | 19.2 | 439,358,725 | 316,202,733 | 184,806,038 | 171,308,937 | 1,111,676,433 |
| | | 729,347,338 | 428,666,110 | 4,673,442,343 | 390,384,378 | 6,221,840,169 |

## 22. Financial assets measured at fair value through other comprehensive income

Refer the material accounting policy under Note 16.

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Unquoted equity securities | 22.1 | 4,000,000 | 4,000,000 |
| Quoted equity securities | 22.1 | 1,458,327 | 324,073 |
| | | 5,458,327 | 4,324,073 |

## 22.1 Investments in quoted/unquoted shares

| As at 31 March | 2026 Number of shares | 2026 Cost LKR | 2026 Fair value LKR | 2025 Number of Shares | 2025 Cost LKR | 2025 Fair value LKR |
|---|---|---|---|---|---|---|
| Credit Information Bureau of Sri Lanka | 200 | 290,200 | 4,000,000 | 200 | 290,200 | 4,000,000 |
| Standard Credit Lanka Limited | 38,458,474 | 38,458,474 | – | 38,458,474 | 38,458,474 | – |
| UB Finance PLC | 540,121 | 12,196,283 | 1,458,327 | 540,121 | 12,196,283 | 324,073 |
| | | 50,944,957 | 5,458,327 | | 50,944,957 | 4,324,073 |

Above investments include both quoted and unquoted equity investments. For quoted investments, fair value is determined using market prices available at the reporting date, as there is an active market. In contrast, unquoted investments valued using the respective net asset values attributable to each investee. In accordance with SLFRS 13 – Fair Value Measurement, the fair valuation of quoted investments is classified as Level 1, while unquoted investments are categorised as Level 3 due to the use of unobservable inputs. The Company designated these investments as FVOCI because these investments represent investments, that Company intends to hold for long-term strategic purposes. No strategic investments were disposals during 2025/26 and there was no transfer of any cumulative gain or loss within equity relating to these investments.

## 22.2 Fair value movement during the period – FVOCI

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Opening fair value | 4,324,073 | 4,432,096 |
| Fair value gain/(loss) | 1,134,254 | (108,023) |
| **Closing fair value** | 5,458,327 | 4,324,073 |

## 22.3 Significant unobservable inputs used in the valuation and their sensitivity – Investments at FVOCI

| | | Fair value increase/(decrease) by | |
|---|---|---|---|
| Input | Change % | 2026 LKR | 2025 LKR |
| Net assets per share | +10% | 545,833 | 432,407 |
| | -10% | (545,833) | (432,407) |

## 23. Financial assets at amortised cost – Debt and other instruments

Refer the material accounting policy under Note 16.

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Sri Lanka government securities | 23.1 | 596,198,987 | 883,301,197 |
| Reverse repurchase agreements | 23.2 | 9,416,633,010 | 6,099,328,269 |
| Fixed deposits | 23.3 | 225,142 | 212,095 |
| | | 10,013,057,139 | 6,982,841,561 |

## 23.1 Sri Lanka government securities

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Treasury bills | 553,863,254 | 878,615,069 |
| Interest receivable | 42,335,733 | 4,686,128 |
| | 596,198,987 | 883,301,197 |

## 23.2 Reverse repurchase agreements

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Company to sell back the underlying debt securities to the borrower at a predetermined price. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Refer note 16 for the accounting policy on accounting for financial assets.

## 23.3 Fixed deposits

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Fixed deposits | 221,819 | 208,673 |
| Interest receivable | 3,323 | 3,422 |
| | 225,142 | 212,095 |

## 24. Other assets

Refer the material accounting policy under Note 16.

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Other financial assets | | 62,463,025 | 76,415,319 |
| Other non financial assets | 24.1 | 2,546,344,005 | 1,215,658,281 |
| | | 2,608,807,030 | 1,292,073,600 |

## 24.1 Other non financial assets

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Insurance related receivables | 1,068,137,098 | 499,477,496 |
| Prepayments | 47,846,016 | 82,114,517 |
| Advances | 22,045,684 | 75,418,275 |
| Receivables related to business operations | 1,349,672,604 | 488,431,533 |
| Other receivables | 58,642,603 | 70,216,460 |
| | 2,546,344,005 | 1,215,658,281 |

# 25. Investment properties

**ACCOUNTING POLICY**

### Basis of recognition

Investment properties are the properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

### Basis of measurement

Fair value model

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the other income of Statement of Profit or Loss in the year in which they arise.

### Derecognition

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

### Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

### Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the investment property portfolio as at the end of each financial year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Land** | | | |
| Balance as at 1 April | | 830,796,720 | 729,960,069 |
| Transfers during the year | 27 | (127,793,815) | – |
| Change in fair value for the year | | 10,536,469 | 100,836,651 |
| **Balance as at 31 March** | | 713,539,374 | 830,796,720 |
| **Building** | | | |
| Balance as at 1 April | | 578,803,280 | 549,739,931 |
| Transfers during the year | 27 | (78,706,185) | – |
| Change in fair value for the year | | (6,256,469) | 29,063,349 |
| **Balance as at 31 March** | | 493,840,626 | 578,803,280 |
| **Net book value** | | 1,207,380,000 | 1,409,600,000 |

## Notes to the Financial Statements

## 25.1 Valuation of investment properties

The Company carries investment properties at fair value. Valuations of below investment properties were carried out as at 31 March 2026 by Ms R M N Priyadarshani, Professional independent valuer who is an associate member of Institute of Valuers of Sri Lanka. The Company earned LKR 91,981,028/- as rental income for the year ended 31 March 2026 (2025: LKR 81,534,742/-).

| | | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| Location | Significant unobservable Input | Value range LKR '000 | Method of valuation | Land extent | No of Buildings | Building extent (Sq. ft.) | 2026 LKR | 2025 LKR |
| No 37, Vihara Mw, Matale | Price per perch for land | 1000-1400 | Market approach | 15P | – | – | **18,750,000** | 18,000,000 |
| Adampodaivayal, Adampodaimalaikadu, Trincomalee. | Price per perch for land | 60-85 | Market approach | 04A-02R-04.0P | – | – | **46,000,000** | 44,000,000 |
| No.249, Stanley Thilakarathna Mw, Nugegoda. | Price per perch for land<br>Price per sq.ft. for building | 15000-17000<br>16-25 | Income approach<br>Income approach | 0A-0R-39.60P | 1 | 24,952 | **636,159,374**<br>**493,840,626** | 629,902,905<br>500,097,095 |
| No.465/1, Old Police Station Road, Kahathuduwa, Polgasovita. | Price per perch for land<br>Price per sq.ft. for building | 500-900<br>2-6 | Income approach<br>Income approach | 1A-0R-22.59P | 1 | 20,494 | **–**<br>**–** | 127,793,815<br>78,706,185 |
| Siyabalawalana village, Katugampola, Giriulla | Price per perch for land | 30-38 | Market approach | 1A-0R-36P | – | – | **6,850,000** | 5,900,000 |
| Kalupahana Village, Horana | Price per perch for land | 300-700 | Market approach | 12.85P | – | – | **5,780,000** | 5,200,000 |
| **Total** | | | | | | | **1,207,380,000** | 1,409,600,000 |

Valuation of investment properties have been classified as a Level 3 valuation as per SLFRS 13 – "Fair Value Measurement".

The Company has incurred LKR 619,135/- as insurance expenses on these properties during the year ended 31 March 2026 (2025: LKR 647,852/-).

## 25.2 Carrying amounts of revalued investment properties if they were carried at cost less depreciation would be as follows,

| As at 31 March | 2026 | | 2025 | |
|---|---|---|---|---|
| | Land LKR | Buildings LKR | Land LKR | Buildings LKR |
| Cost | 106,452,907 | 309,059,452 | 156,665,156 | 343,847,202 |
| Accumulated depreciation | – | (139,720,627) | – | (143,897,955) |
| | 106,452,907 | 169,338,825 | 156,665,156 | 199,967,247 |

### Income approach

In arriving at the fair values under income approach, the valuation specialist has considered the expected rental income to be generated out of a comparable property located in an area which is comparable with that of the property being valued.

### Market approach

In arriving at the fair values under market approach, the valuation specialist has considered the selling price of a similar property within a reasonable period of time. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property.

## 25.3 Sensitivity Analysis

Fair values of the investment properties are sensitive to the changes in assumptions used in the valuation as follows,

| | | | Impact to the fair value | |
|---|---|---|---|---|
| Location | Significant unobservable input | Sensitivity of fair value to the increase/(decrease) of the input | If input is increased by 5% LKR | If input is decreased by 5% LKR |
| Matale | Price per perch | Increase/(decrease) | 62,500 | (62,500) |
| Trincomalee | Price per perch | Increase/(decrease) | 3,177 | (3,177) |
| Nugegoda (Pagoda) | Price per perch | Increase/(decrease) | 803,232 | (803,232) |
| | Price per sq. ft. | Increase/(decrease) | 990 | (990) |
| Giriulla | Price per perch | Increase/(decrease) | 1,571 | (1,571) |
| Horana | Price per perch | Increase/(decrease) | 22,490 | (22,490) |

## 26. Intangible assets

**ACCOUNTING POLICY**

### Goodwill

Goodwill that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit. (or group of cash generating unit) to which the goodwill relates. When the recoverable amount of the cash generating unit less than its carrying value, an impairment loss is recognised. Impairment losses relating to goodwill cannot be revised in future periods.

### Other intangible assets

Intangible assets acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on an intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Intangible assets are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of intangible assets for current and comparative periods is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Goodwill | 26.1 | – | – |
| Other intangible assets | 26.2 | 52,273,003 | 85,092,793 |
| | | 52,273,003 | 85,092,793 |

## 26.1 Goodwill allocated to cash generating unit

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Prime Finance PLC | | – | 19,395,045 |
| Impairment charge for the year | 26.1.1 | – | (19,395,045) |
| | | – | – |

### 26.1.1 Impairment of goodwill

The Company recognised a goodwill of LKR 58 Mn. related to acquisition and amalgamation with Prime Finance PLC. This goodwill is fully impaired as at the reporting day.

## 26.2 Other intangible assets

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Cost** | | | |
| Balance as at 1 April | | 621,685,742 | 617,231,992 |
| Transfers from CWIP | 26.2.2 | 5,475,000 | 4,453,750 |
| **Balance as at 31 March** | | 627,160,742 | 621,685,742 |
| **Amortisation** | | | |
| Balance as at 1 April | | 549,758,078 | 500,226,570 |
| Charge for the year | | 36,457,851 | 49,531,508 |
| **Balance as at 31 March** | | 586,215,929 | 549,758,078 |
| **Carrying value** | | 40,944,813 | 71,927,664 |
| Provision for impairment | 26.2.1 | (6,194,109) | – |
| **Carrying value after impairment** | | 34,750,704 | 71,927,664 |
| Capital work in progress | | 17,522,299 | 13,165,129 |
| **Total intangible assets** | | 52,273,003 | 85,092,793 |

### 26.2.1 Provisions for Intangible assets

These provisions have been recognised for idle software and discontinued software developments.

### 26.2.2 Capital work in progress

Capital work in progress represents costs incurred by the Company on software developments which are not completed as at the reporting date.

| | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| **Balance as at 1 April** | | 13,165,129 | 9,609,199 |
| Additions during the year | | 13,138,812 | 8,009,680 |
| Transfers to intangible assets | 26.2 | (5,475,000) | (4,453,750) |
| **Balance as at 31 March** | | 20,828,941 | 13,165,129 |
| Provision for impairment | 26.2.1 | (3,306,642) | – |
| | | 17,522,299 | 13,165,129 |

## 26.3 Other intangible assets by class

| | Cost LKR | Provision for impairment LKR | Accumulated amortisation LKR | Net book value LKR |
|---|---|---|---|---|
| **As at 31 March 2026** | | | | |
| Software | 469,344,254 | 6,194,109 | 432,875,554 | 30,274,591 |
| License | 157,816,488 | – | 153,340,375 | 4,476,113 |
| Capital work in progress | 17,522,299 | – | – | 17,522,299 |
| | 644,683,041 | 6,194,109 | 586,215,929 | 52,273,003 |
| **As at 31 March 2025** | | | | |
| Software | 461,944,254 | – | 398,847,977 | 63,096,277 |
| License | 159,741,488 | – | 150,910,101 | 8,831,387 |
| Capital work in progress | 13,165,129 | – | – | 13,165,129 |
| | 634,850,871 | – | 549,758,078 | 85,092,793 |

## 27. Property, Plant and Equipment

**ACCOUNTING POLICY**

### 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 Company and cost of the asset can be reliably measured.

### Basis of measurement

Items of property, plant and equipment except for land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Land and Buildings are measured at revalued amounts.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### Cost model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; which records at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses if any.

### Revaluation model

The Company applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation of buildings and subsequent accumulated impairment losses.

Freehold land and buildings of the Company is revalued at least once in every three years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values 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 income statement. 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 income statement or debited in 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 capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

### Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

### Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

### Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Lands are not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised. Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

| | Years |
|---|---|
| Buildings | 40 |
| Motor vehicles | 05 |
| Furniture and fittings | 05 |
| Computers equipment | 05 |
| Machinery and equipment | 05 |
| Fixtures and fittings | 05 |
| Office Equipment | 05 |
| Network accessories | 05 |

### De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/ other expenses in the Statement of Profit and Loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

### Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

# Notes to the Financial Statements

| As at 31 March | Note | Land LKR | Building LKR | Furniture and fittings LKR | Office equipment LKR |
|---|---|---|---|---|---|
| **Cost/fair value** | | | | | |
| Balance as at 1 April 2025 | | 623,108,843 | 966,391,159 | 132,926,730 | 382,212,509 |
| Transferred from investment property | 25 | 127,793,815 | 78,706,185 | – | – |
| Adjustment due to classification changes | | – | – | – | 1,047,018 |
| Additions during the year | | – | – | 3,118,951 | 13,780,327 |
| Disposals during the year | | – | – | (2,592,305) | (10,737,283) |
| **Balance as at 31 March 2026** | | 750,902,658 | 1,045,097,344 | 133,453,376 | 386,302,571 |
| Balance as at 1 April 2024 | | 525,588,853 | 1,085,211,149 | 132,361,587 | 368,059,133 |
| Additions during the year | | – | – | 6,393,963 | 30,758,163 |
| Disposals during the year | | – | – | (5,828,821) | (16,604,787) |
| Revaluation gain/(losses) | | 97,519,990 | (31,703,110) | – | – |
| Depreciation adjustment on revaluations | | – | (87,116,880) | – | – |
| **Balance as at 31 March 2025** | | 623,108,843 | 966,391,159 | 132,926,730 | 382,212,509 |
| **Accumulated depreciation** | | | | | |
| Balance as at 1 April 2025 | | – | – | 116,240,125 | 313,875,681 |
| Adjustment due to classification changes | | – | – | – | 1,047,018 |
| Charge for the year | | | 28,480,435 | 6,031,702 | 22,921,725 |
| Disposals during the year | | – | – | (2,568,898) | (10,737,150) |
| **Balance as at 31 March 2026** | | – | 28,480,435 | 119,702,929 | 327,107,274 |
| Balance as at 1 April 2024 | | – | 58,077,920 | 114,806,868 | 307,714,145 |
| Charge for the year | | – | 29,038,960 | 7,261,718 | 22,766,149 |
| Disposals during the year | | – | – | (5,828,461) | (16,604,613) |
| Depreciation adjustment on revaluations | | – | (87,116,880) | – | – |
| **Balance as at 31 March 2025** | | – | – | 116,240,125 | 313,875,681 |
| **Carrying amount** | | | | | |
| **As at 31 March 2026** | | 750,902,658 | 1,016,616,909 | 13,750,447 | 59,195,297 |
| **As at 31 March 2025** | | 623,108,843 | 966,391,159 | 16,686,605 | 68,336,828 |

| Computer LKR | Motor vehicles LKR | Machinery LKR | Fixtures and fittings LKR | Network accessories LKR | Total LKR |
|---|---|---|---|---|---|
| 421,645,540 | 31,240,035 | 1,047,018 | 263,493,032 | 304,366,290 | 3,126,431,156 |
| – | – | – | – | – | 206,500,000 |
| – | – | (1,047,018) | – | – | – |
| 88,365,011 | – | – | 62,860,024 | 1,850,000 | 169,974,313 |
| (10,251,216) | – | – | (7,593,253) | (8,543,507) | (39,717,564) |
| 499,759,335 | 31,240,035 | – | 318,759,803 | 297,672,783 | 3,463,187,905 |
| 391,042,437 | 31,240,035 | 1,047,018 | 227,640,229 | 295,213,148 | 3,057,403,589 |
| 46,533,012 | – | – | 38,474,609 | 10,456,554 | 132,616,302 |
| (15,929,909) | – | – | (2,621,806) | (1,303,412) | (42,288,735) |
| – | – | – | – | – | 65,816,880 |
| – | – | – | – | – | (87,116,880) |
| 421,645,540 | 31,240,035 | 1,047,018 | 263,493,032 | 304,366,290 | 3,126,431,156 |
| | | | | | |
| 325,282,341 | 31,222,612 | 1,047,018 | 200,236,249 | 198,030,887 | 1,185,934,913 |
| – | – | (1,047,018) | – | – | – |
| 41,674,136 | 17,423 | – | 30,494,033 | 32,820,906 | 162,440,360 |
| (10,241,929) | – | – | (7,562,316) | (8,543,474) | (39,653,767) |
| 356,714,548 | 31,240,035 | – | 223,167,966 | 222,308,319 | 1,308,721,506 |
| 303,348,977 | 31,211,612 | 1,047,018 | 177,234,195 | 167,253,700 | 1,160,694,435 |
| 37,853,216 | 11,000 | – | 25,623,858 | 32,080,592 | 154,635,493 |
| (15,919,852) | – | – | (2,621,804) | (1,303,405) | (42,278,135) |
| – | – | – | – | – | (87,116,880) |
| 325,282,341 | 31,222,612 | 1,047,018 | 200,236,249 | 198,030,887 | 1,185,934,913 |
| | | | | | |
| 143,044,787 | – | – | 95,591,837 | 75,364,464 | 2,154,466,399 |
| 96,363,199 | 17,423 | – | 63,256,783 | 106,335,403 | 1,940,496,243 |

## 27.1 Valuation of land and buildings

The Company carries its land and building at fair value. Valuations of the above land and building were carried out as at 31 March 2025 by Ms R M N Priyadarshani, Professional independent valuer.

| Location | Unobservable inputs | Value range LKR '000 | Method of valuation | Land extent | No of buildings | extent (Sq. ft.) | Revalued amount LKR |
|---|---|---|---|---|---|---|---|
| No. 94 96/1, Kandy Rd, Kurunegala | Price per perch for land<br>Price per sq.ft. for building | 3,000-8,000<br>10-12 | Market Approach<br>Market Approach | 7P | 1 | 5,755 | 49,348,230<br>62,151,770 |
| No.46/A, Tangalle Rd, Hambanthota | Price per perch for land<br>Price per sq.ft. for building | 600-870<br>5-7 | Income approach<br>Income approach | 14P | 1 | 2,508 | 9,890,610<br>14,109,390 |
| No.677, William Gopallawa Mw, Kandy | Price per perch for land<br>Price per sq.ft. for building | 2,300-5,800<br>9-12 | Market Approach<br>Market Approach | 9P | 1 | 5,400 | 41,378,175<br>53,621,825 |
| No.168, Nawala Rd, Nugegoda | Price per perch for land<br>Price per sq.ft. for building | 8,000-12,000<br>15-19 | Market Approach<br>Market Approach | 25.9P | 1 | 30,887 | 284,606,584<br>555,393,416 |
| No.67/1, Mahinda Place, Kirulapone, Colombo 05 | Price per perch for land<br>Price per sq.ft. for building | 4,800-7,300<br>16-20 | Market Approach<br>Market Approach | 8P | 1 | 6,305 | 51,189,464<br>98,810,536 |
| No.9/10/11, Galle Road, Katubedda, Moratuwa | Price per perch for land | 2,200-4,200 | Market approach | 23P | – | – | 80,000,000 |
| No.06, Abaya Place, 7th Lane, Anuradhapura | Price per perch for land<br>Price per sq.ft. for building | 4,0000-6,000<br>7-9 | Market Approach<br>Market Approach | 13.52P | 1 | 11,237 | 60,766,238<br>112,233,762 |
| No.56, Puttlam Service Mw, Puttlama | Price per perch for land<br>Price per sq.ft. for building | 1,700-2,000<br>6-9 | Market Approach<br>Market Approach | 25.6P | 1 | 7,085 | 45,929,543<br>70,070,459 |
| No.465/1, Old Police Station Road, Kahathuduwa, Polgasovita | Price per perch for land<br>Price per sq.ft. for building | 500-900<br>2-6 | Market Approach<br>Market Approach | 1A-0R-22.59P | 1 | 20,494 | 127,793,815<br>78,706,185 |
| **Total** | | | | | | | 1,796,000,002 |

Valuation of lands and buildings have been classified as a Level 3 valuation as per SLFRS 13 – "Fair Value Measurement". The Board of Directors has determined that the fair value has not changed significantly from the previous date of the valuation to the reporting date.

## 27.2 Carrying amounts of revalued property, plant and equipment if they were carried at cost less depreciation would be as follows,

| For the year ended 31 March | 2026 | | 2025 | |
|---|---|---|---|---|
| | Land LKR | Buildings LKR | Land LKR | Buildings LKR |
| Cost | 227,439,036 | 527,764,348 | 177,226,786 | 492,976,598 |
| Accumulated depreciation | – | (172,788,719) | – | (148,578,490) |
| | 227,439,036 | 354,975,629 | 177,226,786 | 344,398,108 |

## 27.3 Sensitivity analysis

Fair values of the land and buildings are sensitive to the changes in assumptions used in the valuation as follows,

| | | | Impact to the fair value | |
|---|---|---|---|---|
| Location | Significant unobservable input | Sensitivity of fair value to the increase/(decrease) of the input | If input is increased by 5% LKR | If input is decreased by 5% LKR |
| Kurunegala | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 349,987<br>540 | (349,987)<br>(540) |
| Hambanthota | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 34,826<br>281 | (34,826)<br>(281) |
| Kandy | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 223,424<br>496 | (223,424)<br>(496) |
| Nugegoda (Nawala Rd) | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 549,434<br>899 | (549,434)<br>(899) |
| Moratuwa | Price per perch | Increase/(decrease) | 173,913 | (173,913) |
| Kirulapone | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 319,934<br>784 | (319,934)<br>(784) |
| Anuradhapura | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 224,727<br>499 | (224,727)<br>(499) |
| Puttlama | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 89,706<br>494 | (89,706)<br>(494) |
| Kahathuduwa | Price per perch<br>Price per sq. ft | Increase/(decrease)<br>Increase/(decrease) | 34,995<br>192 | (34,995)<br>(192) |

**27.4** Details of assets pledged on securities are disclosed in Note 45 to the Financial Statements.

**27.5** No borrowing costs were capitalised during the year (2025: Nil).

**27.6** There were no idle property, plant and equipment as at 31 March 2026 (2025: Nil).

**27.7** There are no restrictions that existed on the title of the property, plant and equipment of the and Company as at the reporting date.

## 28. Right of use assets

ACCOUNTING POLICY

At the inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company use the definition of a lease as per SLFRS 16.

### Company acting as a lessee

At commencement or modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its stand-alone price. However, for lease of branches the Company has elected not to separate non-lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

Lease payments included in the measurement of lease liability includes;

- Fixed payments
- Variable lease payments that depend on an index or rate
- Amount expected to be payable under residual value guarantee
- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable or if there is a fixed in substance lease payment.

When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents the right-of-use asset as separate line item in the Statement of Financial Position while the lease liability is presented under other liabilities.

### Short term leases and leases of low value assets

The Company elected not to recognise right of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on the straight-line basis.

## 28.1 Movement of right-of-use assets

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Cost** | | |
| Balance as at 1 April | 976,909,320 | 798,145,064 |
| Additions during the year | 330,558,642 | 180,050,023 |
| Terminations during the year | (1,015,038) | (1,285,767) |
| **Cost as at 31 March** | 1,306,452,924 | 976,909,320 |
| **Accumulated amortisation** | | |
| Balance as at 1 April | 609,367,095 | 478,254,529 |
| Charge for the year | 144,039,684 | 131,112,566 |
| **Balance as at 31 March** | 753,406,779 | 609,367,095 |
| **Net book value as at 31 March** | 553,046,145 | 367,542,225 |

Branches of the Company are operated in leased locations. The above right-of-use asset represents the lease right relating to lands and buildings available for the Company's use at those locations.

# 29. Deferred tax (liability)/asset

## 29.1 Summary of net deferred tax assets movement

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Balance as at 1 April | | (400,391) | 539,907,826 |
| Amounts reversed during the year | 29.2 | 1,225,683 | (540,308,217) |
| **Balance as at 31 March** | | 825,292 | (400,391) |

## 29.2 Charge/(Reversal) for the year

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Recognised in profit or loss | 4,274,625 | 527,351,660 |
| Recognised in other comprehensive income | (5,500,308) | (6,788,507) |
| Recognised revaluation reserve | – | 19,745,064 |
| | (1,225,683) | 540,308,217 |

## 29.3 Tax effect from temporary differences

Deferred tax assets/(liabilities)as at the period end is made up as follows.

| For the year ended 31 March | 2026 | | 2025 | |
|---|---|---|---|---|
| | (Taxable)/ deductible temporary difference LKR | Tax effect on temporary difference LKR | (Taxable)/ deductible temporary difference LKR | Tax effect on temporary difference LKR |
| On property, plant and equipment | (935,913,048) | (280,773,914) | (954,058,667) | (286,217,600) |
| On retirement benefit obligation | 409,818,088 | 122,945,426 | 369,880,756 | 110,964,227 |
| On impairment provision | 1,282,901,617 | 384,870,485 | 1,059,081,788 | 317,724,536 |
| On other provisions | 16,173,517 | 4,852,055 | – | – |
| On lease liability | 583,174,627 | 174,952,388 | 375,904,764 | 112,771,429 |
| On right-of-use assets | (553,046,145) | (165,913,844) | (367,542,225) | (110,262,668) |
| On investment properties | (354,475,624) | (106,342,687) | (773,145,625) | (231,943,688) |
| On land revaluation reserve | (445,882,057) | (133,764,617) | (445,882,057) | (133,764,617) |
| Unutilised tax credit on amalgamation | – | – | 734,426,633 | 220,327,990 |
| | 2,750,975 | 825,292 | (1,334,633) | (400,391) |

The Company has calculated the deferred tax asset at the rate of 30% on its temporary differences as at 31 March 2026 (2025: 30%).

## 29.4 Unutilised tax credit on amalgamation

During the financial year 2021/22, the Company incurred LKR 2,387,189,712/- to acquire Prime Finance PLC which was amalgamated with the Company on 12 May 2022. This amount has been confirmed by the Central Bank of Sri Lanka as expenditure incurred on the amalgamation in accordance with the masterplan for consolidation of non banking financial institutions of Sri Lanka. Accordingly, the Company is entitled to claim this expenditure as qualifying payment in calculating the income tax liability for the future years subject to a maximum of LKR 795,729,904 of the expenditure for a year.

During the years 2021/22,2022/23,2023/24, 2024/25 and 2025/26 the company has fully claimed this in calculating the income tax liability inline with the requirements of the Inland Revenue Act.

## 30. Financial liabilities at amortised cost – Due to customers

ACCOUNTING POLICY

### Recognition and initial measurement of financial liabilities

The Company initially recognise loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue

### Classification of financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

### De-recognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or canceled or expire.

### Modification of financial liabilities

The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### Deposits due to customers

Deposits include term deposits and saving deposits. They are stated in the Statement of Financial Position at amount payable.

Interest paid/payable on these deposits based on effective interest rate is charged to the Statement of Profit or Loss.

### Deposit insurance scheme

In terms of the Finance Companies Direction No 2 of 2010 “insurance of deposit liabilities” issued on 27 September 2010, all Registered Finance Companies are required to insure their deposit liabilities in the deposit insurance scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October 2010.

Deposits to be insured include time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% p.a. on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Fixed deposits | 63,634,782,453 | 38,523,429,770 |
| Interest payable on fixed deposits | 2,447,831,272 | 1,059,566,463 |
| | 66,082,613,725 | 39,582,996,233 |
| Savings deposits | 2,844,538,405 | 2,634,985,072 |
| | 68,927,152,130 | 42,217,981,305 |

## 31. Financial liabilities at amortised cost – Debt issued and other borrowed funds

**ACCOUNTING POLICY**

These represent the funds borrowed by the Company for long-term funding requirements.

Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method. Refer the material accounting policy under note 30

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Redeemable debentures | 31.1 | 468,761,688 | 502,265,846 |
| Borrowings | 31.2 | 10,030,753,315 | 4,265,277,256 |
| | | 10,499,515,003 | 4,767,543,102 |

## 31.1 Redeemable debentures

### 31.1.1 Secured redeemable

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | 498,750,000 | 532,000,000 |
| Re-payment during the year | (33,250,000) | (33,250,000) |
| **Balance as at 31 March** | 465,500,000 | 498,750,000 |
| Interest payable to debenture holders | 3,261,688 | 3,515,846 |
| **Balance as at 31 March** | 468,761,688 | 502,265,846 |

## Notes to the Financial Statements

### 31.1.2 Subordinated, listed, rated, unsecured, redeemable debentures

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | – | 1,158,820,000 |
| Re-payment during the year | – | (1,158,820,000) |
| **Balance as at 31 March** | – | – |
| Interest payable to debenture holders | – | – |
| **Total balance as at 31 March** | – | – |
| **Total redeemable debentures** | 468,761,688 | 502,265,846 |

### 31.1.3 Redeemable debentures – Capital balances

| Year of Issue | Description | Certificate number | Type of debenture | 2026 LKR | 2025 LKR |
|---|---|---|---|---|---|
| 2010 | Seylan Bank PLC | 001 | Secured | 33,500,000 | 66,750,000 |
| 2010 | Seylan Bank PLC | 002 | Secured | 160,000,000 | 160,000,000 |
| 2010 | Seylan Bank PLC | 003 | Secured | 160,000,000 | 160,000,000 |
| 2010 | Seylan Bank PLC | 004 | Secured | 112,000,000 | 112,000,000 |
| | | | | 465,500,000 | 498,750,000 |

The debentures amounting to LKR 665,000,000 issued to Seylan Bank PLC in 2010 is redeemable from 2020 to 2040 with interest payments at monthly average Treasury bill rate as per the rescheduling terms agreed with Seylan Bank PLC.

Details of the assets pledged against these debentures are disclosed in note 45.

## 31.2 Borrowings

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | 4,265,277,256 | 2,422,883,323 |
| Loans obtained | 10,050,000,000 | 5,500,000,000 |
| Interest recognised | 655,254,052 | 356,699,432 |
| Repayment – Capital | (4,272,200,000) | (3,523,900,000) |
| – Interest | (667,577,993) | (490,405,499) |
| **Balance as at 31 March** | 10,030,753,315 | 4,265,277,256 |

## 31.2.1 Details of the capital outstanding of borrowings are as follows;

| Lender | Interest rate | Tenor | 2026 LKR | 2025 LKR |
|---|---|---|---|---|
| NDB Syndication – Capital | AWPLR+2.95% (Revised quarterly) | | – | 200,000 |
| Capital Alliance Income Fund | "1 Year T Bill+3% (Revised bi-annually)" | 60 months | 900,000,000 | 900,000,000 |
| Capital Alliance Investment Grade Fund | "1 Year T Bill+3% (Revised bi-annually)" | 60 months | 1,100,000,000 | 1,100,000,000 |
| Capital Alliance Investment Grade Fund | Fixed For 1 Year 12.50% | 60 months | 2,000,000,000 | 1,000,000,000 |
| Capital Alliance Fixed Income Opportunities Fund | Fixed For 1 Year 12.50% | 60 months | – | 1,000,000,000 |
| Seylan Bank PLC | 10.25% (Fixed for 3 Year) | 36 months | 1,778,000,000 | – |
| NTB Bank PLC | 10% (Fixed for 3 months) | 3 months | 1,000,000,000 | – |
| Bank of Ceylon | Monthly AWPLR + 1.50% with a floor rate of 10.50% | 36 months | 2,500,000,000 | – |
| HNB Bank PLC | Weekly AWPLR-0.10% (Revised Monthly) | 4 Months | 500,000,000 | – |
| | | | 9,778,000,000 | 4,000,200,000 |

## 32. Current tax liability

Refer the material accounting policy under Note 14.

| As at 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Balance as at 1 April | | 358,925,300 | 222,850,871 |
| Provision for income tax assessments | 32.1 | – | 69,551,383 |
| Provision for the year | | 1,023,987,386 | 112,218,576 |
| Under/(over) provision during previous year | | 642,002 | (145,676) |
| | | 1,383,554,688 | 404,475,154 |
| Payments made during the year | | (389,541,931) | (45,549,854) |
| **Balance as at 31 March** | | 994,012,757 | 358,925,300 |

## 32.1 Provision for income tax assessments

Provision for income tax assessments recognised during the year ended 31 March 2025 relates to the provision made in respect of surcharge tax assessment received during the year amounting to LKR 52,593,150 as disclosed in note 14.4 to the Financial Statements and LKR 16,958,233 on corporate tax assessment for the year 2020/21.

## Notes to the Financial Statements

# 33. VAT and SSCL on financial services

Refer the material accounting policy under Note 13.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Balance as at 1 April | | 144,436,066 | 94,084,254 |
| (Over)/under provision previous year | | (2,427,270) | 10,437,428 |
| Provision made during the year | | 1,145,974,199 | 723,531,269 |
| Provision for VAT on FS Assessments | 33.1 | 13,811,964 | – |
| Set off against VAT on FS refunds | | (7,569,711) | (12,124,147) |
| Payment made during the year | | (1,166,129,643) | (671,492,738) |
| **Balance as at 31 March** | | 128,095,605 | 144,436,066 |

# 33.1 Provision for VAT on FS Assessments

Provision for VAT on FS assessments recognised during the year ended 31 March 2026, relates to the provision made in respect of a tax assessment received during the year, amounting to LKR 13,811,964.

# 34. Other liabilities

ACCOUNTING POLICY

Refer the material accounting policy under Note 30.

Liabilities are recognised in the Statement of Financial Position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Other financial liabilities | 34.1 | 3,769,000,507 | 2,795,198,277 |
| Other non financial liabilities | 34.2 | 410,900,203 | 261,930,831 |
| | | 4,179,900,710 | 3,057,129,108 |

# 34.1 Other Financial Liabilities

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Other payables | 3,185,825,880 | 2,419,293,513 |
| Lease liabilities | 583,174,627 | 375,904,764 |
| | 3,769,000,507 | 2,795,198,277 |

## 34.1.1 Other Payables

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Payable to dealers | 1,513,184,494 | 727,418,186 |
| Insurance premium payables | 336,054,805 | 209,707,340 |
| Other payables | 1,095,955,994 | 1,250,437,060 |
| EPF/ETF payable | 24,918,124 | 23,055,612 |
| Salary payable | 6,775,337 | 5,141,626 |
| Sundry creditors | 208,937,126 | 203,533,689 |
| | 3,185,825,880 | 2,419,293,513 |

## 34.1.2 Movement of lease liabilities

Refer the material accounting policy under Note 28.

Set out below are the carrying amounts of lease liabilities and the movements during the year.

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April | 375,904,764 | 337,679,544 |
| Additions during the year | 302,815,128 | 137,023,917 |
| Terminations during the year | (1,069,055) | (803,601) |
| Lease interest for the year | 70,215,027 | 53,825,869 |
| Payments during the year | (164,691,237) | (151,820,965) |
| **Balance as at 31 March** | 583,174,627 | 375,904,764 |
| **(i) Amount recognised in the profit or loss** | | |
| Right of use assets amortisation charge for the period | 144,039,684 | 131,112,566 |
| Lease interest for the period | 70,215,027 | 53,825,869 |
| **(ii) Amount recognised in the statement of cash flows** | | |
| Lease rental paid | (164,691,237) | (151,820,965) |

The total rent expenses recognised for short term lease agreement during the year amounting to LKR 30.6 Mn.

## 34.1.3 Sensitivity of right-of-use asset/Lease liability to key assumption

Sensitivity to incremental borrowing rate

Increase/(decrease) in the incremental borrowing rate as at 31 March 2026 by 1% would have (decreased)/increased the lease liability by approximately LKR 11.2 Mn. and LKR 11.4 Mn. respectively. Had the Company increased/(decreased) the discount rate by 1% Company's profit before tax for the year would have (decreased)/increased by approximately LKR 4.7 Mn. and LKR 4.7 Mn. respectively.

### 34.1.3.1 Maturity analysis – Contractual undiscounted cash flows

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Less than one year | 7,886,558 | 3,975,290 |
| Between one and five years | 377,843,078 | 397,635,053 |
| More than 5 years | 414,814,797 | 119,923,433 |
| **Total undiscounted lease liability as at 31 March** | 800,544,433 | 521,533,776 |

Lease interest expense disclosed in note 34.1.2 is included in the profit for the year under interest expense and payments during the year is included under cash flows from financing activities.

## 34.2 Other non financial liabilities

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Other taxes payable | | 7,717,605 | 4,196,786 |
| Other payables | 34.2.1 | 403,182,598 | 257,734,045 |
| | | 410,900,203 | 261,930,831 |

### 34.2.1 Other Payables

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Bills payable | 387,563,177 | 243,850,117 |
| Rent in advance | 15,619,421 | 13,883,928 |
| | 403,182,598 | 257,734,045 |

## 35. Retirement benefit obligation

Refer the material accounting policy under Note 10.

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Balance as at 1 April | | 369,880,756 | 353,707,022 |
| Total actuarial losses | | 18,334,361 | 22,628,356 |
| Add: Expense for the year | 35.1 | 75,028,687 | 75,310,192 |
| | | 463,243,804 | 451,645,570 |
| Less: Benefits paid during the year | | (53,425,716) | (81,764,814) |
| **Balance as at 31 March** | | 409,818,088 | 369,880,756 |

## 35.1 Expense for the year

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Amounts recognised in profit for the year** | | |
| Current service cost | 38,040,611 | 36,402,419 |
| Interest cost | 36,988,076 | 38,907,773 |
| | 75,028,687 | 75,310,192 |
| **Amounts recognised in other comprehensive income for the year** | | |
| Actuarial loss | 18,334,361 | 22,628,356 |
| | 93,363,048 | 97,938,548 |

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Amounts to be recognised in other comprehensive income is made as follows:** | | |
| Actuarial gain due to changes in assumptions | (5,153,609) | (8,650,843) |
| Actuarial loss due to changes in experience adjustments | 23,487,970 | 31,279,199 |
| **Total actuarial loss** | 18,334,361 | 22,628,356 |

Retirement benefit obligation is based on the actuarial valuation carried out by Smiles Global (Private) Limited, on 31 March 2026 using "Projected Unit Credit method" as recommended by Sri Lanka Accounting Standard 19 (LKAS 19) – Employee Benefits.

The principal assumptions used in the actuarial valuations are as follows:

| For the year ended 31 March | 2026 | 2025 |
|---|---|---|
| Long term interest rate | 9.25% | 10.00% |
| Retirement age | 60 years | 60 years |
| Future salary increase rate | 8.00% | 8.00% |
| Staff turnover rate | 39.11% | 23.97% |

Assumptions regarding future mortality is based on A1967-70 mortality table issued by the Institute of Actuaries, London. The defined benefit obligation is not externally funded. Actuarial gain on defined benefit plan is recognised in other comprehensive income.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert.

## Notes to the Financial Statements

| Type of assumption | Criteria | Description |
|---|---|---|
| Demographic assumptions | Mortality rates | Assumptions regarding future mortality in this valuation are unchanged from the prior valuation and are based on the A1967/70 ultimate mortality table. |
| | Disability rates | Disability rates are based on the standard permanent total disability due to accident and sickness rates used by the Sri Lankan Insurance Industry. |
| | Staff withdrawal rates | Withdrawal rates for all employees are considered 39.11% of per annum. This rate is provided by the Company based on their historical experience. This rate is calculated by taking the number of employees terminated during the year divided by the average number of employees during the year. |
| Financial assumptions | Discount rate | LKAS 19 requires the risk discount rate to be based on the market yield of high quality Corporate bonds (AA and above) of similar duration to the liability.<br><br>Due to the lack of long term high quality bonds available in the Sri Lankan market, discount rate is determined by examining short and medium term government and corporate bonds. For the purpose of this valuation, we have used discount rate of 9.25% with the agreement of the Company. |
| | Salary inflation rate | Future salary inflation rate should take into account inflation, internal promotion factors as well as demand and supply of the employment market in which the Company is operating. The salary inflation rate for the Company is taken as 8% per annum for all employees based on Company projections. |
| | Retirement age | Retirement age is based on the following table which is in compliance with the Minimum Retirement Age of Workers Act No 28 of 2021, with the exception of nine staff members with fixed term contracts due to retire on their respective next birthday. |

| Attained age as at 17 November 2021, the date on which Act is operational | Minimum Retirement Age |
|---|---|
| Less than 52 | 60 |
| 52 | 59 |
| 53 | 58 |
| 54 | 57 |

Present value of defined benefit obligation

In order to illustrate the significance of the salary escalation rate and discount rates assumed in this valuation, a sensitivity analysis has been carried our as follows,

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Discount rate** | | |
| Decrease by 1% | 8,229,315 | 13,377,402 |
| Increase by 1% | (10,649,504) | (12,420,440) |
| **Salary escalation rate** | | |
| Decrease by 1% | (12,670,763) | (14,349,295) |
| Increase by 1% | 10,160,770 | 15,204,299 |

## 35.2 The expected benefit pay out in the future years for retirement gratuity

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Within the next 12 months | – | 1,161,380 |
| Between 1-2 years | 522,895 | – |
| Between 2-5 years | 557,931,191 | 514,794,638 |
| Between 5-10 years | – | – |
| | 558,454,086 | 515,956,018 |

The expected benefits are estimated based on the same assumptions used to measure the benefit obligation of Company at the end of the financial year and include benefits attributable to estimated future employee service. The expected future working life time of employee in 32 years.

## Notes to the Financial Statements

# 36. Stated capital

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost

| | | Number of ordinary voting shares | | Number of ordinary non-voting shares | | Total | |
|---|---|---|---|---|---|---|---|
| For the year ended 31 March | Note | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 |
| Balance on 31 March 2025 | | 1,717,501,587 | 1,421,380,624 | 360,325,000 | 298,200,000 | 2,077,826,587 | 1,719,580,624 |
| Right issue of ordinary shares | 36.1 (a) | – | 296,120,963 | – | 62,125,000 | – | 358,245,963 |
| **Balance on 31 March 2026** | | 1,717,501,587 | 1,717,501,587 | 360,325,000 | 360,325,000 | 2,077,826,587 | 2,077,826,587 |

| | | Ordinary voting shares | | Ordinary non-voting shares | | Total | |
|---|---|---|---|---|---|---|---|
| For the year ended 31 March | Note | 2026 LKR | 2025 LKR | 2026 LKR | 2025 LKR | 2026 LKR | 2025 LKR |
| Balance on 31 March 2025 | | 1,191,590,755 | 184,779,481 | 225,141,000 | 38,766,000 | 1,416,731,755 | 223,545,481 |
| Right issue of ordinary shares | 36.1 (a) | – | 1,006,811,274 | – | 186,375,000 | – | 1,193,186,274 |
| **Balance on 31 March 2026** | | 1,191,590,755 | 1,191,590,755 | 225,141,000 | 225,141,000 | 1,416,731,755 | 1,416,731,755 |

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of Company.

### Non-voting ordinary shares

The non-voting shares rank pari passu in respect of all rights with the ordinary shares of Company except voting rights on resolutions passed at general meetings.

## 36.1 Right issue of ordinary shares

(a) During the financial year 2024/25, the Company undertook a rights issue following the approval of shareholders at the Extraordinary General Meeting held on 24 February 2024. The rights issue comprised an issue of five (5) ordinary (voting) shares for every twenty-four (24) ordinary shares held as at the end of trading on 27 February 2025 at an issue price of LKR 3.40 per share, and five (5) non-voting ordinary shares for every twenty-four (24) shares held as at the same date at an issue price of LKR 3.00 per share. Accordingly, the Company raised LKR 1,193,186,274 through the issue of 358,245,963 shares, net of costs related to the share issue, with the approval of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

At the Extraordinary General Meeting held on 24 February 2024, shareholders approved a resolution to issue ordinary (voting) shares by way of a rights issue to the existing shareholders of the company in the proportion of 5 shares for every 24 shares held as at the end of trading on 27 February 2025 at an issue price of LKR 3.40/- per share and non-voting ordinary shares in the proportion of 5 shares for every 24 shares held as at the end of trading on 27 February 2025 at an issue price of LKR 3.00/- per share Accordingly, The Company raised LKR 1,193,186,274 through the issue of 358,245,963 shares.

Disclosures Regarding the Utilisation of Funds as per the Objectives Stated in the Rights Issue Circular

| Objective No | Objective as per circular | Amount allocated as per circular LKR | Proposed date of utilisation as per circular | Amount allocated upon receipts of proceeds LKR (A) | % of Total proceeds | Amount utilised as at 31 March 2025 (B) | % of utilisation against allocation (B/A) | Clarification if not fully utilised including where the funds are invested (whether lent to related parties etc.) |
|---|---|---|---|---|---|---|---|---|
| 1. | Improve the Capital Adequacy Ratio by increasing Tier I Capital base thus strengthening the Total Capital | 1,193,186,274 | By 31 March 2025 | 1,193,186,274 | 100 | 1,193,186,274 | 100 | Not Applicable |
| 2. | Finance the expansion of the loan portfolio | | Within 12 months from the date of allotment | | | | | |

(b) The Company plans to undertake a right issue of ordinary shares after the reporting period. Refer to note 42 for further details.

## 37. General reserve

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Balance as at 1 April 2025 | 82,897,989 | 82,897,989 |
| **Balance as at 31 March 2026** | 82,897,989 | 82,897,989 |

This is a capital reserve created at the discretion of the Company. The Board of Directors of Company has the authority to determine the utilisation of this reserve at their meetings.

## 38. Other reserves

| For the year ended 31 March | Note | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Statutory reserve fund | 38.1 | 1,797,911,089 | 1,461,717,239 |
| Regulatory Loss Allowance Reserve | 38.2 | – | 175,943,378 |
| FVOCI Reserve | 38.3 | 2,746,217 | 1,611,963 |
| **Balance as at 31 March** | | 1,800,657,306 | 1,639,272,580 |

## Notes to the Financial Statements

## 38.1 Statutory reserve fund

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Balance as at 1 April 2025** | 1,461,717,239 | 1,308,814,512 |
| Transferred during the year | 336,193,850 | 152,902,727 |
| Additions due to merger with subsidiary | – | – |
| **Balance as at 31 March** | 1,797,911,089 | 1,461,717,239 |

20% of the net profits for the year is transferred to the reserve fund as required by direction (No. 01 of 2003 capital fund) issued by the Central Bank of Sri Lanka.

## 38.2 Regulatory Loss Allowance Reserve

In terms of the Finance Business Act Direction No. 01 of 2020, the Company is required to maintain the regulatory loss allowance reserve (RLAR) for the additional loss allowance calculated in line with the regulatory loss allowance requirements. As such, this non-distributable reserve is created during the year ended 31 March 2025.

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| As at 1 April | 175,943,378 | – |
| Transfer to regulatory loss allowance reserve | – | 175,943,378 |
| Transfer to retained earnings | (175,943,378) | |
| **as at 31 March** | – | 175,943,378 |

## 38.3 FVOCI Reserve

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Balance as at 1 April** | 1,611,963 | 1,719,986 |
| Gains and( losses) during the year | 1,134,254 | (108,023) |
| **Balance as at 31 March** | 2,746,217 | 1,611,963 |

## 39. Revaluation reserve

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Balance as at 1 April** | 739,433,326 | 693,361,510 |
| Revaluation during the year | – | 65,816,880 |
| Deferred tax impact on revaluation gain during the year | – | (19,745,064) |
| **Balance as at 31 March** | 739,433,326 | 739,433,326 |

Revaluation reserve represents fair value changes related to land and buildings carried at fair value net of deferred tax.

## 40. Retained earnings

| As at 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| **Balance as at 1 April** | 3,708,629,535 | 3,341,395,002 |
| Charge relating to Surcharge tax | – | (52,593,150) |
| **Adjusted balance as at 1 April** | 3,708,629,535 | 3,288,801,852 |
| Profit for the year | 1,680,969,250 | 764,513,637 |
| Other comprehensive (expenses)/income | (12,834,053) | (15,839,849) |
| Transfer to other reserves | (160,250,472) | (328,846,105) |
| **Balance as at 31 March** | 5,216,514,260 | 3,708,629,535 |

## Notes to the Financial Statements

## 41. Capital commitments

No capital expenditure approved by the Board and contracted for remaining at the end of the reporting date.

## 42. Events after the reporting date

The Board of Directors of HNB Finance PLC, at its meeting held on 30 March 2026, approved a Rights Issue aimed at strengthening the Company's capital structure, amounting to LKR 2,499,529,714.50. The Rights Issue will be offered on the basis of two (2) new ordinary voting shares for every nine (9) existing ordinary voting shares held and two (2) new ordinary non-voting shares for every nine (9) existing ordinary non-voting shares held, resulting in the issue of 381,667,019 ordinary voting shares at LKR 5.50 per share and 80,072,222 ordinary non-voting shares at LKR 5.00 per share. The Rights Issue was subsequently approved by shareholders at the Extraordinary General Meeting held on 1 June 2026 and is planned to be completed by July 2026. Accordingly this has been treated as a non-adjusting event in accordance with Sri Lanka Accounting Standard LKAS 10 – Events after the Reporting Period and is not adjusted accordingly in the financial statements as at the reporting date but has been disclosed for information purposes

## 43. Contingent liabilities and commitments

### 43.1 Commitments

| | 2026 LKR | 2025 LKR |
|---|---|---|
| Undrawn Credit commitments | 980,264,610 | – |
| | 980,264,610 | – |

### 43.2 Contingent liabilities

**ACCOUNTING POLICY**

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. 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. All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable. uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

There are no material contingent liabilities and contingent assets as at the reporting date that require disclosure in the financial statements other than disclosed below.

### 43.2.1 Tax assessment – Surcharge tax

The Company received a tax assessments for surcharge tax under the Inland Revenue Act No. 24 of 2017 and the Surcharge Tax Act No. 14 of 2022 on 24 December 2024, in respect of the year of assessment 2020/2021. The total amount assessed was LKR 84,865,302/-, comprising LKR 52,593,150/- as the principal tax liability, LKR 8,312,677/- as penalties, and LKR 23,959,475/- as interest.

As disclosed in Note 14.4 to these financial statement this includes Surcharge Tax on profit of HNB Finance PLC and Prime Finance PLC. However, the Company is dissatisfied with the penalties and interest imposed on the profit of Prime Finance PLC amounting to LKR 27,639,650/- has submitted a formal request for waiver.

The management is of the opinion that it is not probable that the Company will be required to settle the penalties and interest included in the tax assessment. Accordingly, no provision has been made in the financial statements for the year ended 31 March 2026 in respect of the penalties and interest included in the assessment

## 44. Related party transactions

The Company carries out transactions in the ordinary course of business with parties who are defined as "Related Parties" as per Sri Lanka Accounting Standards (LKAS 24) – Related Party Disclosures. The terms and conditions of such transactions are disclosed in Notes 44.1 and 44.2 to these Financial Statements.

## 44.1 Transactions with parent company and related companies

During the year ended 31 March 2026 and 2025, the Company has carried out transactions with its related companies, the details of which are given below. The pricing applicable to such transactions was based on the assessment of risk and pricing model of the Company and was comparable with what was applied to transactions between Company and its unrelated customers.

### 44.1.1 Transactions with the parent company

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| Hatton National Bank PLC is the parent and the ultimate controlling party of Company. | | |
| **Statement of profit or loss** | | |
| Interest income – Savings deposits | 38,054,422 | 32,196,980 |
| Interest expense – Borrowings | 65,309,315 | 49,023,070 |
| Interest expense – Bank overdraft | 736,163 | 435,574 |
| Other expenses – Bank charges | 3,700,557 | 917,622 |
| Other expenses – ATM charges | 57,851 | 88,314 |
| **Statement of financial position** | | |
| Cash and cash equivalents – Balances with banks | 435,074,254 | 802,731,345 |
| *Debt issued and other borrowed funds – Borrowings* | | |
| Balance as at 1 April | | |
| Loan obtained during the year | 3,450,000,000 | 2,500,000,000 |
| Loan repayments made during the year | (2,950,000,000) | (2,500,000,000) |
| **Balance as at 31 March** | 500,000,000 | – |
| HNBF'S Shares purchased through rights issue | | 513,473,749 |
| Other liabilities | 5,271,446 | 26,598,195 |

The Company has obtained short term loans, term loans and overdraft facilities from the Bank. All the transactions with the bank were on terms and conditions similar to facilities obtained through other banks.

HNB PLC has acted as trustee for Subordinated Trust Certificate transaction and as the custodian for Reverse Repurchase agreements.

Above mentioned recurrent related party transactions in aggregately exceed 10% of the Company's gross revenue.

## Notes to the Financial Statements

### 44.1.2 Transactions with Prime Lands (Private) Limited

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common Director/Shareholder* | | |
| **Statement of profit or loss** | | |
| Interest expenses – Savings deposits | 9,153 | 9,869 |
| Rent expenses | 3,100,000 | 3,000,000 |
| **Statement of financial position** | | |
| Rent payable | 550,000 | 500,000 |
| Financial liabilities at amortised cost – Due to customers | 265,723 | 258,066 |
| Shares purchased through rights issue | – | 16,583,713 |

Prime Lands (Pvt) Ltd has disposed of their entire shareholding of 400,000,000 ordinary voting shares, representing 23.29% of the total issued shares of the Company after the reporting date.

### 44.1.3 Transactions with HNB Life PLC

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common control* | | |
| **Statement of profit or loss** | | |
| Fee income | 2,500,697 | 1,720,527 |
| Interest expense – Savings deposits | 745 | 1,479 |
| Interest expense – Fixed deposits | 39,279,452 | 40,500,000 |
| Life insurance expense | 4,186,259 | 3,968,007 |
| **Statement of financial position** | | |
| *Financial liabilities at amortised cost – Fixed deposits* | | |
| Balance as at 1 April | 300,000,000 | – |
| Deposits made during the year | – | 300,000,000 |
| Interest paid | – | – |
| Withdrawals of capital | – | – |
| Balance as at 31 March | 300,000,000 | 300,000,000 |
| *Financial liabilities at amortised cost – Saving deposits* | | |
| Balance as at 1 April | 49,576 | 48,651 |
| Deposits made during the year | – | 1,000 |
| Interest paid | 745 | 1,479 |
| Withdrawals of capital | (554) | (1,554) |
| Balance as at 31 March | 49,767 | 49,576 |
| Fee income receivable | – | 1,148,152 |
| Prepayment balance of life insurance | – | 35,948 |

## 44.1.4 Transactions with HNB General Insurance Limited

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common control* | | |
| **Statement of profit or loss** | | |
| Fee income | 30,204,771 | 24,446,275 |
| Interest expense – Fixed deposits | 4,875,000 | 6,684,932 |
| General insurance expense | 54,772,856 | 40,773,017 |
| Insurance expense – Health Insurance | 34,635,817 | 38,073,997 |
| **Statement of financial position** | | |
| *Financial liabilities at amortised cost – Fixed Deposits* | | |
| Balance as at 1 January | – | – |
| Deposits made during the year | 75,000,000 | 100,000,000 |
| Withdrawals of capital | | (100,000,000) |
| Balance as at 31 March | 75,000,000 | – |
| Fee income receivable | 3,770,589 | 3,815,863 |
| Prepayment – General insurance | 2,546,846 | 197,234 |
| Other payables – Insurance premium payable | 63,352,989 | 77,852,197 |
| Prepayment – Health Insurance | 2,372 | – |

## 44.1.5 Transactions with Prime Lands Residencies (Private) Limited

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common Director* | | |
| **Statement of profit or loss** | | |
| Interest income – Lease issued | 142,807 | 927,850 |
| Rent expenses | 25,972,600 | 20,400,000 |
| **Statement of financial position** | | |
| Financial assets at amortised cost – Lease rentals receivables | – | 1,611,758 |
| Rent Payable | 6,619,800 | 5,100,000 |
| HNBF's share purchases through the rights issue | – | 16,583,713 |

## Notes to the Financial Statements

### 44.1.6 Transactions with Bhoomi Realty Holdings (Private) Limited

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common Director* | | |
| **Statement of profit or loss** | | |
| Interest income – Lease issued | – | 341,800 |

### 44.1.7 Transactions with Ceylinco General Insurance Limited

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common Director* | | |
| **Statement of profit or loss** | | |
| Fee income | 45,860,967 | 7,694,529 |
| **Statement of financial position** | | |
| Fee income receivable | 7,667,290 | 2,049,764 |
| Other payables – Insurance premium payable lease | 262,497,225 | 53,652,292 |

### 44.1.8 Transactions with Regent Country Club

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common Director* | | |
| **Statement of profit or loss** | 261,508 | 256,188 |
| Other expenses – Staff motivation expense | | |

### 44.1.9 Transactions with HNB Investment Bank (Private) Limited

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Common control* | | |
| **Statement of profit or loss** | | |
| Interest income – Repo investment | 314,221,740 | 252,351,422 |
| **Statement of financial position** | | |
| Repo investment | 6,000,000,000 | 2,700,000,000 |

Above mentioned recurrent related party transactions in aggregately exceed 10% of the Company's gross revenue

## 44.1.10 Transactions with Government of Sri Lanka

| For the year ended 31 March | 2026 LKR | 2025 LKR |
|---|---|---|
| ***Relationship:*** *Shareholder of the parent company* | | |
| **Statement of profit or loss** | | |
| Interest income – Debt and other instruments | 89,745,539 | 443,710,839 |
| Tax expenses | (2,070,659,971) | (869,731,217) |
| **Statement of financial position** | | |
| Financial assets at amortised cost – Debt and other instruments | 596,198,987 | 883,301,197 |
| Tax payable | 1,128,353,176 | 505,810,612 |
| Tax paid | 789,918,715 | 721,617,943 |

Above mentioned recurrent related party transactions in aggregately exceed 10% of the Company's gross revenue

### Transactions which are not individually significant

Apart from the transactions listed above, the Company has carried out transactions with the Government of Sri Lanka and other Government related entities in the form of electricity, water, postage, telephone charges, deposit insurance payments, CRIB charges etc. The total of such payments made during the year ended 31 March 2026 was LKR 301 Mn. (2025 – LKR 316.7 Mn.).

## 44.2 Transactions with the key management personnel of Company or their close family members

According to Sri Lanka Accounting Standards (LKAS 24) – Related Party Disclosures, Key Management Personnel are those having authority and responsibility for planning, directing, and controlling the activities of the entity. Accordingly, the Key Management personnel of Company are the members of its Board of Directors and that of its Parent.

## 44.2.1 Compensation paid to Key Management Personnel of Company

The following represents the compensation paid to Key Management Personnel of Company.

| | 2026 LKR | 2025 LKR |
|---|---|---|
| Short-term benefits | 48,778,748 | 38,663,146 |

The Company enters in to transactions, arrangements and agreements with Key Management Personnel and the close family Members of Key Management Personnel in the ordinary course of business. The transactions listed below were made in the ordinary course of business and on substantially the same terms, including interest/commission rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

| | 2026 LKR | 2025 LKR |
|---|---|---|
| **Statement of profit or loss** | | |
| Interest expense – Saving and fixed deposits | 3,330,273 | 3,196,645 |
| **Statement of financial position** | | |
| Due to customers – Saving and fixed deposits | 21,493,075 | 27,566,526 |

## Recurrent related party transactions

Unless otherwise disclosed under the related party transactions section for each respective party, there are no other recurring related party transactions which, in aggregate, exceed 10% of the Company's gross revenue.

## Non recurrent related party transactions

There are no non-recurrent related party transactions which exceeds more than 10% of equity or 5% of total assets, whichever is lower.

## 45. Assets pledged as securities against borrowings and debts

| Nature of assets | Nature of liability | 2026 LKR | 2025 LKR |
|---|---|---|---|
| Freehold land and building | Redeemable debentures (Note 31) | 2,944,750,000 | 2,944,000,002 |
| Lease receivables | Term loans | 13,966,666,666 | – |

## 46. Financial risk management

### 46.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Financial Statements.

### 46.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's and the Company's risk management framework. The Board has established the Integrated Risk Management Committee (BIRMC), which is responsible for developing and monitoring the Company's risk management policies and processes. The BIRMC functions under the responsibilities set out in the Board approved terms of reference, which incorporates the requirements of Finance Business Act Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka. The Committee reports regularly to the Board of Directors on its activities. Further, Board Audit Committee, Board Credit Committee and

Board Strategic Planning and Investment Committee also focus on different aspects of Risk Management. Management Level Committees, such as Assets and Liabilities Committee, Executive Risk Management Committee and IT Steering Committee support the BIRMC on implementation of risk strategies of the Company.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committees of the Company is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

## 46.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk arises in the Company's direct lending operations and in its investment/treasury activities, where counterparties have a repayment or other obligations towards the Company.

### (a) Allowances for impairment

Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted. The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of customer receivables. The Company policy on impairment consists of allowance for individual impairment that identified based on specific loss event and a collective impairment established for similar receivables in term of their credit risk on product basis where the loss event has incurred but not yet identified.

The collective impairment is determined based on the historical data of payments statistics for similar financial assets.

The key elements of ECL computation for collectively assessed loans are as follows:

**Probability of Default (PD):**
The probability of default is an estimate of the likelihood of a borrower defaulting on its financial obligations either over the next 12 months (12m PD) or over the remaining lifetime (lifetime PD) of the obligation. A default may only happen at a certain timeover the assessed period, if the facility has not been previously de-recognised and is still in the portfolio. The Company estimates the Probability of Default (PD) based on historical information with regard to delinquency of loans and advances. In this process historical information pertaining to 3-6 years have been used depending on the nature of the product. (Definition of default is given in Note 9).

**Exposure at Default (EAD):**
The exposure at default represents the expected exposure in the event of a default. The Company estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. For Stage 2, Stage 3 and Purchase or Originated Credit Impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

**Loss Given Default (LGD):**

The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company segments its lending portfolio into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The loss given default is estimated based on historically collected loss data.

**Calculation of ECL for individually significant loan**
The Company initially assesses Expected Credit Losses (ECL) for each individually significant loan (ISL), selected based on a predefined threshold. If these assets are not found to be impaired through this individual assessment, the Company then aggregates them with loans and advances possessing similar credit risk characteristics for a collective impairment evaluation. The Company calculates ECL for ISL by discounting the estimated expected cashflows at a rate approximating the EIR. A cash shortfall is defined as the difference between the cash flows that are contractually due to the Company and the cash flows that the Company actually expects to receive.

**Significant increase in credit risk**
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

– Determining whether credit risk has increased significantly

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – "Financial Instruments". The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

## Notes to the Financial Statements

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

### (b) Collateral held and other credit enhancement

The Company holds collateral and other credit enhancements against certain types of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets. The value of the collateral is capped at the amortised cost of the loan.

| For the year ended 31 March | 2026 | | 2025 | |
|---|---|---|---|---|
| | Gross loan balance LKR | Security value LKR | Gross loan balance LKR | Security value LKR |
| **Stage 1** | | | | |
| Cash collateral | 704,890,232 | 704,890,232 | 434,685,469 | 434,685,469 |
| Gold and precious metals | 15,075,623,957 | 15,075,623,957 | 7,959,678,134 | 7,959,678,134 |
| Vehicles and machinery | 44,044,207,664 | 44,044,207,664 | 21,400,382,408 | 21,400,382,408 |
| Immovable properties | 5,398,235,840 | 5,398,235,840 | 2,322,496,601 | 2,322,496,601 |
| Unsecured | 1,511,126,923 | – | 3,558,885,280 | – |
| **Stage 2** | | | | |
| Gold and precious metals | 970,094,732 | 970,094,732 | 949,778,772 | 928,416,628 |
| Vehicles and machinery | 7,255,575,382 | 7,255,575,382 | 4,458,964,628 | 4,458,964,628 |
| Immovable properties | 596,730,361 | 596,730,361 | 519,823,220 | 519,823,220 |
| Unsecured | 490,723,433 | – | 1,094,590,567 | – |
| **Stage 3** | | | | |
| Gold and precious metals | 10,785,512 | 10,785,512 | 3,313,303 | 1,962,254 |
| Vehicles and machinery | 830,547,073 | 830,547,073 | 710,934,580 | 710,934,580 |
| Immovable properties | 1,118,938,014 | 1,118,938,014 | 1,282,271,953 | 1,282,271,953 |
| Unsecured | 4,546,561,742 | – | 5,633,373,982 | – |

## Assets obtained by taking possession of collateral

Details of financial and non-financial assets recovered by the Company during the year by taking possession of collateral held as security against loans and advances and held at the year end are shown below.

| | 2026 LKR | 2025 LKR |
|---|---|---|
| Vehicles | 136,207,000 | 201,036,350 |

## Loan to value ratio

The following tables state the credit exposure from secured loans and advances to customers by range of Loan to value ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments to the value of the collateral. The valuation of the collateral excludes any adjustment for obtaining and selling the collateral.

| | 2026 LKR | 2025 LKR |
|---|---|---|
| **LTV ratio** | | |
| Less than 50% | 12,850,954,174 | 5,000,546,217 |
| 51-70% | 45,905,378,969 | 15,463,233,887 |
| 71-90% | 16,344,931,089 | 18,089,553,482 |
| 91-100% | 268,319,591 | 449,633,735 |
| Above 100% | 636,044,945 | 1,039,361,745 |
| | 76,005,628,768 | 40,042,329,065 |
| **Credit impaired loans** | | |
| Less than 50% | 415,811,600 | 425,279,217 |
| 51-70% | 1,075,909,164 | 430,909,849 |
| 71-90% | 274,969,035 | 414,806,040 |
| 91-100% | 10,887,322 | 20,943,641 |
| Above 100% | 331,859,234 | 377,541,036 |
| | 2,109,436,356 | 1,669,479,601 |

## (c) Forward looking information

The Company incorporates forward looking information (through economic factor adjustment) into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECL, the Company considers three economic scenarios (base case, best case and worse case). Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and when such information is not available, forecasts published by International Monetary Fund and World Bank have been used. In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

| Quantitative factors | Qualitative factors |
|---|---|
| GDP growth | Government policies |
| Inflation | Status of industry/business |
| Interest rate | Regulatory impact |
| Unemployment rate | |
| Exchange rate | |

## (d) Sensitivity of factors used to determine impairment provisions

Given the current economic uncertainties and the judgements applied to factors used in determining the expected default of borrowers in future periods. Expected credit losses reported by the company should be considered as a best estimate within a range of possible estimates.

| | Sensitivity effect on Statements of Financial Position increase/ (decrease) in impairment provision | | | | Sensitivity effect on Income Statement increase/(decrease) in impairment charge |
|---|---|---|---|---|---|
| As at 31 March 2026 | Stage 1 LKR | Stage 2 LKR | Stage 3 LKR | Total LKR | |
| **Change in Probability of Default (PD)** | | | | | |
| – Increase by 1% | 121,858,807 | 21,952,280 | – | 143,811,087 | 143,811,087 |
| – Decrease by 1% | (121,858,807) | (21,952,280) | – | (143,811,087) | (143,811,087) |
| **Change in Loss Given Default (LGD)** | | | | | |
| 1% Increase | 11,968,563 | 5,054,305 | 53,610,051 | 70,632,919 | 70,632,919 |
| 1% Decrease | (11,968,563) | (5,054,305) | (53,610,051) | (70,632,919) | (70,632,919) |
| **Change in Economic Factor Adjustment (EFA)** | | | | | |
| Increase by 1% | 2,878,405 | 1,215,546 | – | 4,093,951 | 4,093,951 |
| Decrease by 1% | (2,878,405) | (1,215,546) | – | (4,093,951) | (4,093,951) |

## (e) Write-off policy

The Company writes-off a loan or an investment debt security balance and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure as the last resort after considering the legal recoveries. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Micro Finance concept works with the peer pressure where members being pressurised by the other members to pay instalments without any defaults. Some loans advance requires guarantees from third parties. There are two types of guarantees obtained by the Company. Immovable assets are taken as securities for high valued loan disbursements. Other Securities such as personal guarantees are taken for Microfinance loan facilities. In this context members will be cross-guarantors each other by which they are pressurised to maintain the non-default of the particular group.

The following table provide an explanation of how significant changes in gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

| | 2026 | | | 2025 | | |
|---|---|---|---|---|---|---|
| | Stage 1 LKR | Stage 2 LKR | Stage 3 LKR | Stage 1 LKR | Stage 2 LKR | Stage 3 LKR |
| **Financial assets at amortised cost – Loans and advances to customers** | | | | | | |
| Write-off of loans overdue over 360 days, unsecured and 100% impaired | – | – | (726,759,604) | – | – | (592,120,327) |
| Write-off of lease receivable overdue over 360 days, and 100% impaired | – | – | (91,362,618) | – | – | (634,895,882) |

## (f) Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the Board Integrated Risk Management Committee. The Risk Management Department is a separate vertical independent of business units, established to assess the credit risk of credit proposals and submit observations to all approving authorities. Further, the Company implemented the following initiatives to manage credit risk.

1. The Board approved credit and credit risk policy in place which outlines the credit risk management strategy including exposure types, economic sectors/activities, collateral types, duration and loan to value requirements when originating credit
2. The Board approved risk appetite framework in place covering credit risk.
3. Implementation of risk-based credit-scoring model to evaluate the probability of default at the time of granting the facility.
4. Implementation of Loan review mechanism to identify issues relating to credit initiation and loan structuring, loan approval procedures, assignment of credit score, credit/collateral documentation, and credit monitoring and to take appropriate corrective actions to mitigate the identified risks whilst avoiding repetition.
5. Implementation of Delegation of Authority for credit approvals considering approving authority positions as well as their expertise.
6. Establishment of an Independent Credit Administration Department to ensure completeness of documentation and covenants, receipt of collateral holdings, and insurance cover in Company's favour, if required, before disbursement of the facility.

## Notes to the Financial Statements

# (g) Credit quality by class of financial assets

| As at 31 March 2026 | Current LKR | Overdue LKR | Impaired LKR | Total LKR |
|---|---|---|---|---|
| Cash and cash equivalents | 1,467,214,897 | – | – | 1,467,214,897 |
| Financial assets at amortised cost – Loans and advances to customers | 19,482,352,861 | 10,889,126,069 | (5,110,163,736) | 25,261,315,194 |
| Financial assets at amortised cost – Lease rentals receivables | 33,671,532,471 | 18,457,157,289 | (1,111,676,433) | 51,017,013,327 |
| Financial assets at amortised cost – Loans and advances to others | 52,363,440 | 1,508,736 | – | 53,872,176 |
| Financial assets measured at fair value through other comprehensive income | 5,458,327 | – | – | 5,458,327 |
| Financial assets at amortised cost – Debt and other instruments | 10,013,057,139 | – | – | 10,013,057,139 |
| Other financial assets | 62,463,025 | – | – | 62,463,025 |
| **Total financial assets** | 64,754,442,160 | 29,347,792,094 | (6,221,840,169) | 87,880,394,085 |

| | Overdue | | | |
|---|---|---|---|---|
| As at 31 March 2026 | Less than 30 Days LKR | 30 to 60 days LKR | 60 to 90 days LKR | More than 90 days LKR | Total LKR |
| Financial assets at amortised cost – Loans and advances to customers | 3,153,651,916 | 1,475,576,755 | 581,971,771 | 5,677,925,626 | 10,889,126,068 |
| Financial assets at amortised cost – Lease rentals receivables | 10,372,675,192 | 5,105,515,179 | 2,150,060,203 | 828,906,715 | 18,457,157,289 |
| Financial assets at amortised cost – Loans and advances to others | 1,508,736 | – | – | – | 1,508,736 |
| | 13,527,835,844 | 6,581,091,934 | 2,732,031,974 | 6,506,832,341 | 29,347,792,093 |

| As at 31 March 2025 | Current LKR | Overdue LKR | Impaired LKR | Total LKR |
|---|---|---|---|---|
| Cash and cash equivalents | 1,582,022,331 | – | – | 1,582,022,331 |
| Financial assets at amortised cost – Loans and advances to customers | 11,938,091,950 | 11,914,791,730 | (4,809,463,919) | 19,043,419,761 |
| Financial assets at amortised cost – Lease rentals receivables | 14,967,456,005 | 11,413,639,353 | (680,488,511) | 25,700,606,847 |
| Financial assets at amortised cost – Loans and advances to others | 92,475,546 | 2,766,233 | – | 95,241,779 |
| Financial assets measured at fair value through other comprehensive income | 4,324,073 | – | – | 4,324,073 |
| Financial assets at amortised cost – Debt and other instruments | 6,982,841,561 | – | – | 6,982,841,561 |
| Other financial assets | 76,415,318 | – | – | 76,415,319 |
| **Total financial assets** | 35,643,626,784 | 23,331,197,316 | (5,489,952,430) | 53,484,871,669 |

| | Overdue | | | | |
|---|---|---|---|---|---|
| As at 31 March 2025 | Less than 30 Days LKR | 30 to 60 days LKR | 60 to 90 days LKR | More than 90 days LKR | Total LKR |
| Financial assets at amortised cost – Loans and advances to customers | 2,279,890,890 | 1,250,253,483 | 1,381,794,709 | 7,002,852,649 | 11,914,791,731 |
| Financial assets at amortised cost – Lease rentals receivables | 6,395,489,190 | 2,831,633,198 | 1,559,475,796 | 627,041,169 | 11,413,639,353 |
| Financial assets at amortised cost – Loans and advances to others | 1,887,533 | 878,700 | – | – | 2,766,233 |
| | 8,677,267,613 | 4,082,765,381 | 2,941,270,505 | 7,629,893,818 | 23,331,197,317 |

## (h) Maximum exposure disclosure of financial assets

The table below represents Company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31 March 2026, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

| As at 31 March 2026 | Gross carrying amount LKR | Net exposure LKR |
|---|---|---|
| Cash and cash equivalents | 1,467,214,897 | 1,467,214,897 |
| Financial assets at amortised cost – Loans and advances to customers | 30,371,478,930 | 25,261,315,194 |
| Financial assets at amortised cost – Lease rentals receivables | 52,128,689,760 | 51,017,013,327 |
| Financial assets at amortised cost – Loans and advances to others | 53,872,176 | 53,872,176 |
| Financial assets measured at FVOCI | 5,458,327 | 5,458,327 |
| Financial assets at amortised cost – Debt and other instruments | 10,013,057,139 | 10,013,057,139 |
| Other financial assets | 62,463,025 | 62,463,025 |
| | 94,102,234,254 | 87,880,394,085 |

| As at 31 March 2025 | Gross carrying amount LKR | Net exposure LKR |
|---|---|---|
| Cash and cash equivalents | 1,582,022,331 | 1,582,022,331 |
| Financial assets at amortised cost – Loans and advances to customers | 23,852,883,680 | 19,043,419,761 |
| Financial assets at amortised cost – Lease rentals receivables | 26,381,095,357 | 25,700,606,847 |
| Financial assets at amortised cost – Loans and advances to others | 95,241,779 | 95,241,779 |
| Financial assets measured at FVOCI | 4,324,073 | 4,324,073 |
| Financial assets at amortised cost – Debt and other instruments | 6,982,841,561 | 6,982,841,561 |
| Other financial assets | 76,415,318 | 76,415,319 |
| | 58,974,824,100 | 53,484,871,671 |

## (i) Concentration of credit risk

The Company set concentration limits for single borrower/of borrowers, industry sectors, products, collaterals and large borrowers under criteria within the established risk appetite framework to ensure that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Executive Risk Management Committee, Board Integrated Risk Management Committee and the Board of Directors.

### Concentration by location

Concentration of loans and advances, Lease rental receivable and loans and advances to others by location is given below.

| | Gross carrying amount | | | |
|---|---|---|---|---|
| | 2026 | | 2025 | |
| Province | LKR | % | LKR | % |
| Western | 32,295,395,499 | 39 | 17,439,026,855 | 35 |
| Southern | 6,140,704,832 | 7 | 3,848,719,397 | 8 |
| Uva | 4,604,880,549 | 6 | 2,789,387,874 | 6 |
| North Central | 6,257,797,635 | 8 | 4,003,929,946 | 8 |
| North Western | 10,801,626,070 | 13 | 7,114,054,861 | 14 |
| Eastern | 5,306,105,195 | 6 | 3,718,424,479 | 7 |
| Northern | 4,679,101,391 | 6 | 3,195,319,938 | 6 |
| Sabaragamuwa | 4,341,851,536 | 5 | 3,618,327,663 | 7 |
| Central | 8,126,578,159 | 10 | 4,602,029,803 | 9 |
| | 82,554,040,866 | 100 | 50,329,220,816 | 100 |

## (j) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and renegotiated loan recognised as a new loan in accordance with the accounting policy set out in note 16 to these Financial Statements. The renegotiate loans are offered to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise risk of default. Under the Company’s forbearance policy, loan forbearance is granted on selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending maturity, changing the timing of interest payments and amending the terms of loan covenants. Both “individual loans” and “corporate loans” are subject to the forbearance policy. The management regularly reviews reports on forbearance activities. Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit impaired/in default or the PD is considered to have decreased such that it falls within the 12 months PD ranges for the asset to be considered for stage 1.

## Notes to the Financial Statements

# Concentration by sector

| As at 31 March 2026 | Agriculture | Commercial | Consumers | Financial |
|---|---|---|---|---|
| | LKR | LKR | LKR | LKR |
| **Financial assets** | | | | |
| Cash and cash equivalents | – | – | – | 1,467,214,897 |
| Financial assets at amortised cost – Loans and advances to customers | 6,457,064,925 | 10,142,647,307 | 4,273,701,816 | 259,791,318 |
| Financial assets at amortised cost – Lease rentals receivables | 5,189,795,732 | 18,592,184,735 | 2,190,840,398 | 636,056,610 |
| Financial assets at amortised cost – Loans and advances to others | | 535,354 | 1,455,122 | 3,312,918 |
| Financial assets measured at FVOCI | – | – | – | 5,458,327 |
| Financial assets at amortised cost – Debt and other instruments | – | – | – | 10,013,057,139 |
| Other assets | – | – | – | 62,463,025 |
| | 11,646,860,657 | 28,735,367,396 | 6,465,997,336 | 12,447,354,234 |

| As at 31 March 2025 | Agriculture | Commercial | Consumers | Financial |
|---|---|---|---|---|
| | LKR | LKR | LKR | LKR |
| **Financial assets** | | | | |
| Cash and cash equivalents | – | – | – | 1,582,022,331 |
| Financial assets at amortised cost – Loans and advances to customers | 6,706,404,684 | 8,710,990,867 | 1,780,930,876 | 123,867,161 |
| Financial assets at amortised cost – Lease rentals receivables | 2,237,688,471 | 8,473,525,836 | 1,290,049,190 | 492,502,538 |
| Financial assets at amortised cost – Loans and advances to others | 86,282 | 1,086,314 | 3,494,474 | 11,008,550 |
| Financial assets measured at FVOCI | – | – | – | 4,324,073 |
| Financial assets at amortised cost – Debt and other instruments | – | – | – | 6,982,841,561 |
| Other assets | – | – | – | 76,415,318 |
| | 8,944,179,437 | 17,185,603,017 | 3,074,474,540 | 9,272,981,532 |

| Housing and property development LKR | Industrial LKR | Services LKR | Tourism LKR | Others LKR | Total LKR |
|---|---|---|---|---|---|
| – | – | – | – | – | 1,467,214,897 |
| 341,892,408 | 1,529,825,009 | 6,530,073,470 | 226,442,696 | 610,039,981 | 30,371,478,930 |
| 765,057,648 | 2,920,057,088 | 18,811,688,881 | 744,912,787 | 2,278,095,882 | 52,128,689,760 |
| 45,310,839 | | 3,257,944 | | | 53,872,176 |
| – | – | – | – | – | 5,458,327 |
| – | – | – | – | – | 10,013,057,139 |
| – | – | – | – | – | 62,463,025 |
| 1,152,260,895 | 4,449,882,097 | 25,345,020,295 | 971,355,483 | 2,888,135,863 | 94,102,234,254 |

| Housing and property development LKR | Industrial LKR | Services LKR | Tourism LKR | Others LKR | Total LKR |
|---|---|---|---|---|---|
| – | – | – | – | – | 1,582,022,331 |
| 196,439,634 | 1,549,949,705 | 3,645,450,534 | 84,509,219 | 1,054,341,000 | 23,852,883,680 |
| 299,439,231 | 1,749,540,723 | 11,170,570,097 | 409,403,764 | 258,375,508 | 26,381,095,357 |
| 71,358,172 | – | 8,207,987 | – | – | 95,241,779 |
| – | – | – | – | – | 4,324,073 |
| – | – | – | – | – | 6,982,841,561 |
| – | – | – | – | – | 76,415,319 |
| 567,237,037 | 3,299,490,428 | 14,824,228,618 | 493,912,983 | 1,312,716,508 | 58,974,824,100 |

## 46.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company uses the maturity analysis of all the financial instruments to manage the liquidity risk.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of Company while maintaining regulatory requirements. The treasury manages the liquidity position as per the treasury policies and procedures.

The treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at ALCO meetings (Assets and Liabilities Committee) and are arranged by the Treasury. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board of Directors on the recommendation of BIRMC and the ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to monthly ALCO meetings. The Company's main sources of the funding are capital, public deposits and borrowed funds from the banks or using debt instruments.

The Company also uses the maturity analysis of all the financial instruments to manage the liquidity risk. Maturity analysis of financial assets and financial liabilities of the Company indicates that there is sufficient funding available to manage liquidity requirements based on contractual and behavioral patterns.

### 46.4.1 Liquidity reserves

Components of the company liquid assets portfolio used for the purpose of calculating statutory liquid asset ratio in March 2026 and March 2025 (average balance for the month) is given below:

| As at 31 March | 2026 LKR '000 | 2025 LKR '000 |
|---|---|---|
| Cash in hand | 674,669 | 541,692 |
| Balances in current accounts free from lien | 49,766 | 74,335 |
| Deposits in commercial banks free from lien | 742,780 | 965,995 |
| Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge | 596,199 | 883,301 |
| Sri Lanka Government securities maturing within one year and free from any lien or charge | 9,416,633 | 6,099,328 |
| | 11,480,047 | 8,564,651 |

## 46.4.2 The maturity analysis of financial assets and liabilities based on undiscounted gross inflow and outflow is reflected below:

| As at 31 March 2026 | Carrying amounts LKR | Gross nominal cashflow LKR | Upto 3 months LKR | 3 to 12 months LKR | 1 to 5 years LKR | More than 5 years LKR |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 1,467,214,897 | 1,467,214,897 | 1,467,214,897 | – | – | – |
| Financial assets at amortised cost – Loans and advances to customers | 25,261,315,194 | 27,306,337,556 | 18,275,076,065 | 4,507,596,089 | 4,503,863,560 | 19,801,842 |
| Financial assets at amortised cost – Lease rentals receivables | 51,017,013,327 | 68,867,158,118 | 9,479,182,656 | 24,939,861,990 | 34,327,346,697 | 120,766,775 |
| Financial assets at amortised cost – Loans and advances to others | 53,872,176 | 63,531,756 | 5,617,632 | 14,796,297 | 41,143,634 | 1,974,193 |
| Financial assets measured at FVOCI | 5,458,327 | 5,458,327 | – | – | 5,458,327 | – |
| Financial assets at amortised cost – Debt and other instruments | 10,013,057,139 | 10,013,057,139 | 10,012,831,997 | 225,142 | – | – |
| Other financial assets | 62,463,025 | 62,463,025 | 22,619,610 | 38,864,731 | 978,683 | – |
| | 87,880,394,085 | 107,785,220,818 | 39,262,542,857 | 29,501,344,249 | 38,878,790,901 | 142,542,810 |
| **Liabilities** | | | | | | |
| Financial liabilities at amortised cost – Due to customers | 68,927,152,130 | 76,834,290,631 | 17,881,336,367 | 32,422,938,897 | 26,530,015,367 | – |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 10,499,515,003 | 12,943,276,318 | 1,927,693,182 | 591,218,086 | 9,943,932,223 | 480,432,827 |
| Other financial liabilities | 3,769,000,507 | 3,769,000,506 | 3,163,452,841 | 139,007,963 | 349,904,776 | 116,634,926 |
| | 83,195,667,640 | 93,546,567,455 | 22,972,482,390 | 33,153,164,946 | 36,823,852,366 | 597,067,753 |
| Liquidity gap related period | – | – | 16,290,060,467 | (3,651,820,698) | 2,054,938,535 | (454,524,943) |
| Liquidity gap cumulative | – | – | 16,290,060,467 | 12,638,239,770 | 14,693,178,305 | 14,238,653,362 |

## Notes to the Financial Statements

| As at 31 March 2025 | Carrying amounts LKR | Gross nominal cash flow LKR | Up to 3 Months LKR | 3 to 12 Months LKR | 1 to 5 years LKR | More than 5 years LKR |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 1,582,022,331 | 1,582,022,331 | 1,582,022,331 | – | – | – |
| Financial assets at amortised cost – Loans and advances to customers | 19,043,419,761 | 25,552,216,334 | 13,513,963,938 | 7,406,204,159 | 4,484,803,308 | 147,244,929 |
| Financial Assets at amortised cost – Lease rentals receivables | 25,700,606,847 | 34,637,132,311 | 932,721,245 | 6,419,834,682 | 27,280,678,933 | 3,897,451 |
| Financial Assets at amortised cost – Loans and advances to others | 95,241,779 | 116,065,775 | 372,045 | 2,823,104 | 82,123,035 | 30,747,591 |
| Financial assets measured at FVOCI | 4,324,073 | 4,324,073 | – | – | 4,324,073 | – |
| Financial assets at amortised cost – Debt and other instruments | 6,982,841,561 | 6,982,841,561 | 6,424,150,320 | 558,691,241 | – | – |
| Other financial assets | 76,415,319 | 76,415,319 | 30,049,425 | 38,796,182 | 7,569,712 | – |
| | 53,484,871,671 | 68,951,017,704 | 22,483,279,304 | 14,426,349,368 | 31,859,499,061 | 181,889,971 |
| **Liabilities** | | | | | | |
| Financial liabilities at amortised cost – Due to customers | 42,217,981,305 | 46,599,731,171 | 13,355,127,221 | 18,917,709,618 | 14,326,894,332 | – |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 4,767,543,102 | 6,297,543,102 | 507,875,294 | 304,167,808 | 5,153,000,000 | 332,500,000 |
| Other financial liabilities | 2,795,128,277 | 2,795,128,277 | 2,364,293,472 | 60,730,560 | 283,737,292 | 86,436,953 |
| | 49,780,652,684 | 55,692,402,550 | 16,227,295,990 | 19,282,607,986 | 19,763,631,622 | 418,936,953 |
| Liquidity gap related period | – | – | 6,255,983,314 | (4,856,258,618) | 12,095,867,438 | (237,046,981) |
| **Liquidity gap cumulative** | – | – | 6,255,983,314 | 1,399,724,697 | 13,495,592,134 | 13,258,545,153 |

## 46.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, commodity prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holding of financial instruments. The objective of the Market risk management is to manage and control market risk exposures within acceptable parameters in order to optimise the return.

**(a) Interest rate risk**

The interest rate is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to changes in market interest rates. The Company manages the interest rate risk against repricing gap limits, which is supplemented by monitoring the sensitivity of the financial assets and liabilities to various rate scenarios. ALCO oversees the interest rate environment and monitors the movement of market interest rates.

## 46.5.1 Sensitivity Analysis

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows;

| | Carrying Value | | | | |
|---|---|---|---|---|---|
| As at 31 March 2026 | Up to 3 months LKR | 4 to 12 months LKR | 1 to 5 years LKR | More than 5 years LKR | Total LKR |
| **Interest earning assets** | | | | | |
| Cash and cash equivalents | 792,546,012 | – | – | – | 792,546,012 |
| Financial assets at amortised cost – Debt and other instruments | 10,013,057,139 | – | – | – | 10,013,057,139 |
| Financial assets at amortised cost – Loans and advances to customers | 17,612,562,262 | 3,753,139,281 | 3,876,863,068 | 18,750,583 | 25,261,315,194 |
| Financial assets at amortised cost – Lease rentals receivables | 6,578,201,084 | 18,366,133,759 | 25,959,685,495 | 112,992,989 | 51,017,013,327 |
| Financial assets at amortised cost – Loans and advances to others | 4,405,106 | 11,787,388 | 35,800,280 | 1,879,403 | 53,872,176 |
| **Total interest earning assets** | 35,000,771,603 | 22,131,060,428 | 29,872,348,843 | 133,622,975 | 87,137,803,848 |
| **Interest bearing liabilities** | | | | | |
| Financial liabilities at amortised cost – Due to customers | 16,959,159,405 | 29,157,056,940 | 22,810,935,785 | – | 68,927,152,130 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 1,899,912,263 | 555,352,740 | 7,745,000,000 | 299,250,000 | 10,499,515,003 |
| Total interest bearing liabilities | 18,859,071,668 | 29,712,409,680 | 30,555,935,785 | 299,250,000 | 79,426,667,133 |
| **Gap in interest earning assets and interest bearing liabilities – Net assets/(liabilities)** | 16,141,699,936 | (7,581,349,253) | (683,586,940) | (165,627,026) | 7,711,136,714 |
| Effect on profitability by 1% increase in interest rates – Increase/(decrease) in profits – Annualised effect | 161,416,999 | (75,813,493) | (6,835,869) | (1,656,270) | – |
| Effect on profitability by 1% decrease in interest rates – Increase/(decrease) in profits – Annualised effect | (161,416,999) | 75,813,493 | 6,835,869 | 1,656,270 | – |

## Notes to the Financial Statements

| | Gross nominal cashflow | | | | |
|---|---|---|---|---|---|
| As at 31 March 2025 | Up to 3 months LKR | 4 to 12 months LKR | 1 to 5 years LKR | More than 5 years LKR | Total LKR |
| **Interest earning assets** | | | | | |
| Cash and cash equivalents | 1,040,330,531 | – | – | – | 1,040,330,531 |
| Financial assets at amortised cost – Debt and other instruments | 6,982,841,561 | – | – | – | 6,982,841,561 |
| Financial assets at amortised cost – Loans and advances to customers | 9,544,098,021 | 5,366,773,091 | 3,234,902,340 | 897,646,309 | 19,043,419,761 |
| Financial assets at amortised cost – Lease rentals receivables | 817,779,180 | 6,168,481,899 | 18,711,686,096 | 2,659,672 | 25,700,606,847 |
| Financial assets at amortised cost – Loans and advances to others | 331,918 | 2,714,925 | 69,327,034 | 22,867,902 | 95,241,779 |
| **Total interest earning assets** | 18,385,381,211 | 11,537,969,915 | 22,015,915,470 | 923,173,883 | 52,862,440,479 |

| | Gross nominal cashflow | | | | |
|---|---|---|---|---|---|
| As at 31 March 2025 | Up to 3 months LKR | 4 to 12 months LKR | 1 to 5 years LKR | More than 5 years LKR | Total LKR |
| **Interest bearing liabilities** | | | | | |
| Financial liabilities at amortised cost – Due to customers | 12,783,772,178 | 17,054,871,735 | 12,379,337,392 | – | 42,217,981,305 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 246,875,294 | 55,167,808 | 4,133,000,000 | 332,500,000 | 4,767,543,102 |
| **Total interest bearing liabilities** | 13,030,647,472 | 17,110,039,543 | 16,512,337,392 | 332,500,000 | 46,985,524,407 |
| Gap in interest earning assets and interest bearing liabilities – Net assets/(liabilities) | 5,354,733,738 | (5,572,369,628) | 5,503,578,078 | 590,673,883 | 5,876,916,074 |
| Effect on profitability by 1% increase in interest rates – Increase/(decrease) in profits – Annualised effect | 53,547,337 | (55,723,696) | 55,035,781 | 5,906,739 | – |
| Effect on profitability by 1% decrease in interest rates – Increase/(decrease) in profits – Annualised effect | (53,547,337) | 55,723,696 | (55,035,781) | (5,906,739) | – |

### (b) Currency Risk

The Company does not engage in transactions denominated in foreign currencies. Therefore, exposure to currency risk is not significant.

## 46.6 Operational

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks. Operational risks arise from all of Company's operations. Company's objectives is to manage operational risk in order to avoid/mitigate financial losses and damage to Company's reputation with overall cost effectiveness.

Operational Risk Management framework of Company has been defined under the Board approved Operational Risk Management Policy. Company uses Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Internal loss data capturing and reporting and risk review of new products and process for identification and management of operational risks.

Compliance with company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The result of Internal Audit reviews are discussed with the Board of Directors with summaries submitted to the Audit Committee and senior management of the Company.

## 46.7 Capital Management

Company is required to manage its capital taking in to account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectation and available options for raising capital. The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Business Act Direction No. 03 of 2018 on Capital Adequacy Requirements and Finance Business Act Direction No. 2 of 2017 on Minimum Core Capital in respect of regulatory capital.

Accordingly, the Core Capital Ratio and the Total Capital Ratio of Company as of 31 March 2026 stood at 9.61% and 13.07%, respectively against regulatory minimum of 8.50% and 12.50%.To further reinforce its capital base, the Company is currently in the process of issuing a LKR 2.5 Bn. Rights Issue.(refer note 42).This proactive approach to capital management is expected to further strengthen the Company's overall capital position, ensuring adequate buffers to support business growth while maintaining regulatory compliance and financial stability over the long term.

## 47. Maturity analysis of assets and liabilities

| As at 31 March 2026 | Less than 1 year LKR | More than 1 year LKR | Total LKR |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 1,467,214,897 | – | 1,467,214,897 |
| Financial assets at amortised cost – Loans and advances to customers | 21,365,880,912 | 3,895,434,282 | 25,261,315,194 |
| Financial assets at amortised cost – Lease rentals receivables | 24,944,334,843 | 26,072,678,484 | 51,017,013,327 |
| Financial assets at amortised cost – Loans and advances to others | 16,192,493 | 37,679,683 | 53,872,176 |
| Financial assets measured at FVOCI | – | 5,458,327 | 5,458,327 |
| Financial assets at amortised cost – Debt and other instruments | 10,013,057,139 | – | 10,013,057,139 |
| Other assets | 2,398,130,265 | 210,676,765 | 2,608,807,030 |
| Investment properties | – | 1,207,380,000 | 1,207,380,000 |
| Intangible assets | – | 52,273,003 | 52,273,003 |
| Property, plant and equipment | – | 2,154,466,399 | 2,154,466,399 |
| Right of use the assets | 6,623,973 | 546,422,172 | 553,046,145 |
| Deferred tax assets | – | 825,292 | 825,292 |
| | 60,211,439,522 | 34,183,294,407 | 94,394,728,929 |

## Notes to the Financial Statements

| As at 31 March 2026 | Less than 1 year LKR | More than 1 year LKR | Total LKR |
|---|---|---|---|
| **Liabilities** | | | |
| Financial liabilities at amortised cost – Due to customers | 46,116,216,345 | 22,810,935,785 | 68,927,152,130 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 2,455,265,003 | 8,044,250,000 | 10,499,515,003 |
| VAT and SSCL on financial services payable | 128,095,605 | – | 128,095,605 |
| Current tax liability | 994,012,757 | – | 994,012,757 |
| Other liabilities | 3,672,535,341 | 507,365,369 | 4,179,900,710 |
| Retirement benefit obligation | – | 409,818,088 | 409,818,088 |
| Deferred tax liability | – | – | – |
| | 53,366,125,051 | 31,772,369,242 | 85,138,494,293 |

| As at 31 March 2025 | Less than 1 year LKR | More than 1 year LKR | Total LKR |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 1,582,022,331 | – | 1,582,022,331 |
| Financial assets at amortised cost – Loans and advances to customers | 15,751,925,648 | 3,291,494,113 | 19,043,419,761 |
| Financial assets at amortised cost – Lease rentals receivables | 6,986,261,080 | 18,714,345,768 | 25,700,606,847 |
| Financial assets at amortised cost – Loans and advances to others | 3,046,842 | 92,194,937 | 95,241,779 |
| Financial assets measured at FVOCI | – | 4,324,073 | 4,324,073 |
| Financial assets at amortised cost – Debt and other instruments | 6,982,841,561 | – | 6,982,841,561 |
| Other assets | 1,186,636,694 | 105,436,905 | 1,292,073,600 |
| Investment properties | – | 1,409,600,000 | 1,409,600,000 |
| Intangible assets | – | 85,092,793 | 85,092,793 |
| Property, plant and equipment | – | 1,940,496,243 | 1,940,496,243 |
| Right of use the asset | 3,100,298 | 364,441,928 | 367,542,225 |
| | 32,495,834,454 | 26,007,426,760 | 58,503,261,214 |
| **Liabilities** | | | |
| Financial liabilities at amortised cost – Due to customers | 29,838,643,913 | 12,379,337,392 | 42,217,981,305 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 302,043,102 | 4,465,500,000 | 4,767,543,102 |
| VAT and SSCL on financial services payable | 144,436,066 | – | 144,436,066 |
| Current tax liability | 358,925,300 | – | 358,925,300 |
| Other liabilities | 2,683,145,065 | 373,984,041 | 3,057,129,108 |
| Retirement benefit obligation | – | 369,880,756 | 369,880,756 |
| Deferred tax Liability | – | 400,391 | 400,391 |
| | 33,327,193,446 | 17,589,102,579 | 50,916,296,028 |

# 48. Fair value measurement

## 48.1 Assets and liabilities measured at fair value

A description of how fair values are determined for assets and liabilities that are recorded at fair value using valuation techniques are summarised below which incorporates the Company's estimate of assumptions that a market participant would make when valuing the instruments.

### 48.1.1 Financial assets measured at Fair Value through Other Comprehensive Income

Financial assets measured at FVOCI valued using valuation techniques or pricing models primarily consist of unquoted investment securities.

### 48.1.2 Property, plant and equipment

The methods used to determine the fair value of freehold land and buildings are explained in Note 27.1. The independent valuers provide the fair value of the Company's freehold land and buildings at least once in every three years.

### 48.1.3 Investment properties

The independent valuers provide the fair value of the Company's investment properties annually as per Sri Lanka Accounting Standards (LKAS 40) – Investment Properties. Details of the valuations are disclosed in Note 25.1.

## 48.2 Fair value of financial assets and liabilities not measured at fair value

Fair values of the following assets and liabilities are estimated for the purpose of disclosure as described below.

### 48.2.1 Financial assets at amortised cost – Loans and advances to customers

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 loans and receivables calculated based on interest rates at the reporting date for similar types of loans and receivables.

### 48.2.2 Financial assets at amortised cost – Debt and other instruments

Financial assets consist of government debt securities, reverse repurchase agreements and fixed deposits Fair value of these securities with a remaining contractual maturity of less than 1 year approximate to the carrying value.

### 48.2.3 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.

### 48.2.4 Financial liabilities at amortised cost – Debt securities issued

The fair value of debt securities issued has been determined by discounting the future cash flows by the interest rates prevailing as at the reporting date for similar instruments.

## 48.3 Fair value of financial assets and liabilities

The following table summarises the carrying amounts and the Company's estimate of fair values of those financial assets and liabilities not presented in the statement of the financial position at fair value. The fair values in the table below may be different from the actual amounts that will be received or paid on the settlement or maturity of the financial instrument.

# Notes to the Financial Statements

| As at 31 March 2026 | Carrying amount LKR | Fair value Level I | Level II | Level III | Total |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 1,467,214,897 | – | 1,467,214,897 | – | 1,467,214,897 |
| Financial assets at amortised cost – Debt and other instruments | | | | | |
| – Investments in Treasury bills | 596,198,987 | – | 596,198,987 | – | 596,198,987 |
| – Investments in Fixed deposits | 225,142 | – | – | 225,142 | 225,142 |
| – Investments in Reverse repurchase agreements | 9,416,633,010 | – | – | 9,416,633,010 | 9,416,633,010 |
| Financial assets measured at FVOCI | 5,458,327 | 1,458,327 | – | 4,000,000 | 5,458,327 |
| Financial assets at amortised cost – Loans and advances to customers | 25,261,315,194 | – | – | 22,288,560,174 | 22,288,560,174 |
| Financial assets at amortised cost – Lease rentals receivables | 51,017,013,327 | – | – | 59,321,333,626 | 59,321,333,626 |
| Financial assets at amortised cost – Loans and advances to others | 53,872,176 | – | – | 47,107,600 | 47,107,600 |
| Other financial assets | 62,463,025 | – | – | 62,463,025 | 62,463,025 |
| | 87,880,394,085 | 1,458,327 | 2,063,413,884 | 91,140,322,577 | 93,205,194,788 |
| **Financial Liabilities** | | | | | |
| Financial liabilities at amortised cost – Due to customers | 68,927,152,130 | – | | 68,562,621,361 | 68,562,621,361 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 10,499,515,003 | – | – | 10,499,515,003 | 10,499,515,003 |
| Other financial liabilities | 3,769,000,507 | – | – | 3,769,000,507 | 3,769,000,507 |
| | 83,195,667,640 | – | – | 82,831,136,871 | 82,831,136,871 |

| | | Fair value | | | |
|---|---|---|---|---|---|
| As at 31 March 2025 | Carrying amount LKR | Level I | Level II | Level III | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,582,022,331 | – | 1,582,022,331 | – | 1,582,022,331 |
| Financial assets at amortised cost – Debt and other instruments | | | | | |
| – Investments in Treasury bills | 883,301,197 | – | 883,301,197 | – | 883,301,197 |
| – Investments in Fixed deposits | 212,095 | – | – | 212,095 | 212,095 |
| – Investments in Reverse repurchase agreements | 6,099,328,269 | – | – | 6,099,328,269 | 6,099,328,269 |
| Financial assets measured at FVOCI | 4,324,073 | 324,073 | – | 4,000,000 | 4,324,073 |
| Financial assets at amortised cost – Loans and advances to customers | 19,043,419,761 | – | – | 22,573,887,852 | 22,573,887,852 |
| Financial assets at amortised cost – Lease rentals receivables | 25,700,606,847 | – | – | 29,959,948,963 | 29,959,948,963 |
| Financial assets at amortised cost – Loans and advances to others | 95,241,779 | – | – | 85,149,334 | 85,149,334 |
| Other financial assets | 76,415,318 | – | – | 76,415,318 | 76,415,318 |
| | 53,484,871,670 | 324,073 | 2,465,323,528 | 58,798,941,831 | 61,264,589,432 |
| **Financial liabilities** | | | | | |
| Financial liabilities at amortised cost – Due to customers | 42,217,981,305 | – | – | 42,043,897,167 | 42,043,897,167 |
| Financial liabilities at amortised cost – Debt issued and other borrowed funds | 4,767,543,102 | – | – | 4,767,543,102 | 4,767,543,102 |
| Other financial liabilities | 2,795,198,277 | – | – | 2,795,198,277 | 2,795,198,277 |
| | 49,780,722,684 | – | – | 49,606,638,546 | 49,606,638,546 |

## 49. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Chief Executive Decision Maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has four main segments, namely Finance, Leasing, Gold Loans and Others, based on the business activities that each unit is engaged in for purpose of reviewing the operating results of Company as well as to make decisions about resource allocation.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the financial statements.

There are no inter-segment transactions occurred during the year.

Income taxes are allocated to specific segments. Other expenses which cannot be directly identified against a particular business segment have been treated as consolidated adjustments.

No revenue from transactions with a single external customer or counter party amounted to 10% or more of Company's total revenue in 2024/25 and 2025/26 financial years.

| | Finance | | Leasing | |
|---|---|---|---|---|
| | 2026 LKR | 2025 LKR | 2026 LKR | 2025 LKR |
| Net interest income | 3,462,198,414 | 2,087,980,395 | 3,690,035,316 | 2,446,367,630 |
| Fee and commission income | 404,680,635 | 632,409,866 | 377,661,475 | 254,487,793 |
| Fee and commission expenses | (160,498,458) | (99,996,786) | (480,684,159) | (195,514,226) |
| Other operating income | 444,326,740 | 379,110,897 | 1,177,291,609 | 683,295,394 |
| **Total operating income** | 4,150,707,331 | 2,999,504,372 | 4,764,304,241 | 3,188,636,591 |
| Impairment charges for loan and other losses | (1,013,294,861) | (339,787,532) | (463,717,751) | (285,103,106) |
| **Net operating income** | 3,137,412,471 | 2,659,716,840 | 4,300,586,490 | 2,903,533,485 |
| Operating profit/(loss) | 313,947,773 | 20,867,381 | 1,349,096,392 | 747,101,850 |
| Income tax expenses | (159,301,629) | (9,639,682) | (505,698,993) | (345,123,535) |
| **Profit/(loss) for the year** | 154,646,145 | 11,227,699 | 843,397,399 | 401,978,315 |
| **Total assets** | 10,244,116,927 | 18,462,523,924 | 55,804,325,179 | 24,792,646,432 |
| **Total liabilities** | 9,239,591,027 | 16,068,221,053 | 50,332,219,550 | 21,577,424,898 |

## 50. Comparative information

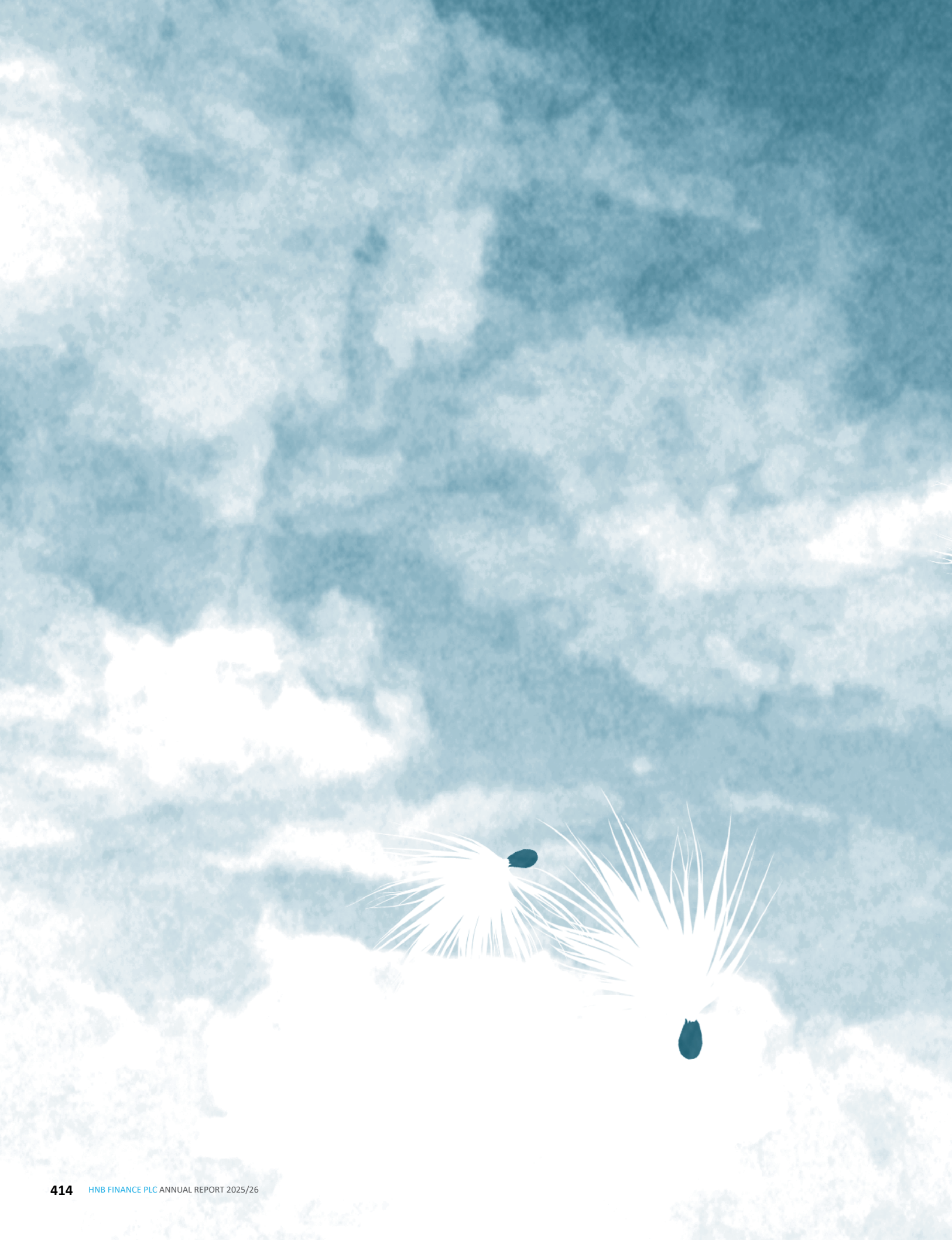
Following reclassifications have been made for comparative amounts to facilitate comparison and better presentation.

### Statement of profit or loss and other comprehensive income

Reclassification of depreciation and amortisation-related expenses from Other operating expenses to Depreciation and amortisation expenses and reclassification of Fee and commission expenses to Other operating expenses.

| | Impact of correction of classification | | |
|---|---|---|---|
| | As previously reported | Adjustments | As reclassified |
| Other operating expenses | (3,064,749,413 | 324,602,557 | (2,740,146,856) |
| Fee and commission expenses | (349,122,795) | 30,072,056 | (319,050,739) |
| Depreciation and amortisation expenses | – | (354,674,613) | (354,674,613) |
| Profit | (3,413,872,208) | – | (3,413,872,208) |
| **Total comprehensive income** | (3,413,872,208) | – | (3,413,872,208) |

| Gold loan | | Others | | Consolidated | |
|---|---|---|---|---|---|
| 2026 LKR | 2025 LKR | 2026 LKR | 2025 LKR | 2026 LKR | 2025 LKR |
| 1,424,006,100 | 861,981,058 | 53,044,129 | 109,152,894 | 8,629,283,959 | 5,505,481,978 |
| 724,198,646 | 289,872,070 | 2,142,844 | 66,115,258 | 1,508,683,600 | 1,242,884,987 |
| (24,111,865) | (18,353,984) | (24,305,316) | (5,185,742) | (689,599,799) | (319,050,739) |
| 359,035,204 | 274,423,921 | 97,702,751 | 214,090,204 | 2,078,356,304 | 1,550,920,416 |
| 2,483,128,085 | 1,407,923,065 | 128,584,408 | 384,172,614 | 11,526,724,064 | 7,980,236,642 |
| (72,997,348) | (35,113,647) | – | – | (1,550,009,960) | (660,004,285) |
| 2,410,130,737 | 1,372,809,418 | 128,584,408 | 384,172,614 | 9,976,714,104 | 7,320,232,357 |
| 1,021,964,687 | 408,075,993 | 24,864,411 | 244,851,205 | 2,709,873,263 | 1,420,896,429 |
| (394,827,050) | (188,510,615) | 30,923,660 | (113,108,960) | (1,028,904,013) | (656,382,792) |
| 627,137,637 | 219,565,378 | 55,788,071 | 131,742,245 | 1,680,969,250 | 764,513,637 |
| 17,387,658,350 | 8,511,941,671 | 10,958,628,473 | 6,736,149,186 | 94,394,728,929 | 58,503,261,213 |
| 15,682,645,292 | 7,408,074,916 | 9,884,038,424 | 5,862,575,161 | 85,138,494,293 | 50,916,296,028 |



7

# Supplementary Information


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# Horizontal Analysis

| Statement of Financial Position as at 31 March 2026 | 2026 LKR '000 | 2026 % | 2025 % | 2024 % | 2023 % | 2022 LKR '000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 1,467,215 | 83 | 97 | 41 | 290 | 802,800 |
| Financial assets at amortised cost – loans and advances to customers | 25,261,316 | 24 | (6) | (8) | 29 | 20,314,640 |
| Financial assets at amortised cost – lease rentals receivables | 51,017,013 | 345 | 124 | 30 | 9 | 11,455,587 |
| Financial assets at amortised cost – loans and advances to others | 53,872 | (82) | (68) | (50) | (17) | 295,201 |
| Financial assets measured at FVOCI | 5,458 | 106 | 63 | 67 | 90 | 2,656 |
| Financial assets at amortised cost – debt and other instruments | 10,013,057 | 231 | 131 | 353 | 169 | 3,028,184 |
| Investment in subsidiary | – | (100) | (100) | (100) | (100) | 2,376,921 |
| Other assets | 2,608,807 | 756 | 324 | 159 | 123 | 304,615 |
| Investment properties | 1,207,380 | 6 | 24 | 13 | 6 | 1,136,000 |
| Intangible assets | 52,273 | (77) | (63) | (36) | (9) | 229,400 |
| Property, plant and equipment | 2,154,467 | 13 | 1 | (1) | (2) | 1,913,914 |
| Right-of-use assets | 553,046 | 154 | 69 | 47 | 45 | 217,456 |
| Deferred tax assets | 825 | (99) | (100) | 219 | 43 | 169,231 |
| **Total assets** | 94,394,729 | 123 | 38 | 27 | 29 | 42,246,605 |
| **Liabilities and equity** | | | | | | |
| **Liabilities** | | | | | | |
| Bank overdraft | – | (100) | (100) | (100) | (76) | 648,140 |
| Financial liabilities at amortised cost-due to customers | 68,927,152 | 118 | 34 | 31 | 38 | 31,593,427 |
| Financial liabilities at amortised cost – debt issued and other borrowed funds | 10,499,515 | 261 | 64 | 43 | 52 | 2,905,686 |
| Current tax liability | 994,013 | 1,003 | 298 | 147 | (100) | 90,155 |
| VAT and SSCL on financial services | 128,096 | 400 | 464 | 267 | 12 | 25,600 |
| Other liabilities | 4,179,901 | 242 | 150 | 14 | (20) | 1,221,198 |
| Retirement benefit obligation | 409,818 | 42 | 28 | 22 | 2 | 289,518 |
| Deferred tax liability | – | – | 100 | – | – | – |
| **Total liabilities** | 85,138,495 | 132 | 38 | 29 | 35 | 36,773,724 |

| Statement of Financial Position as at 31 March 2026 | 2026 LKR '000 | 2026 % | 2025 % | 2024 % | 2023 % | 2022 LKR '000 |
|---|---|---|---|---|---|---|
| **Equity** | | | | | | |
| Stated capital | 1,416,732 | 534 | 534 | – | – | 223,545 |
| General reserve | 82,898 | – | – | – | – | 82,898 |
| Statutory reserve fund | 1,797,911 | 53 | 24 | 11 | 1 | 1,174,657 |
| Revaluation reserve | 739,433 | (2) | (2) | (8) | (8) | 752,792 |
| FVOCI reserve | 2,746 | 100 | 100 | 100 | 100 | – |
| Retained earnings | 5,216,514 | 61 | 14 | 3 | (11) | 3,238,988 |
| Regulatory loss reserve | – | – | 100 | – | – | – |
| **Total equity** | 9,256,234 | 69 | 39 | 3 | (8) | 5,472,881 |
| **Total equity and liabilities** | 94,394,729 | 123 | 38 | 26 | 29 | 42,246,605 |

| Statement of Profit or Loss for the year ended 31 March 2026 | 2026 LKR '000 | 2026 % | 2025 % | 2024 % | 2023 % | 2022 LKR '000 |
|---|---|---|---|---|---|---|
| Gross income | 18,493,245 | 150 | 79 | 95 | 82 | 7,408,159 |
| Interest income | 14,906,205 | 135 | 65 | 99 | 92 | 6,342,352 |
| Interest expenses | (6,276,921) | 137 | 88 | 185 | 197 | (2,652,931) |
| Net interest income | 8,629,284 | 134 | 49 | 38 | 16 | 3,689,420 |
| Other operating income | 2,078,356 | 309 | 205 | 109 | 39 | 508,255 |
| Total operating income | 11,526,724 | 149 | 72 | 45 | 14 | 4,625,362 |
| Impairment charges | (1,550,010) | 72 | (27) | 30 | 96 | (898,832) |
| Total operating expenses | (6,109,481) | 108 | 74 | 53 | 35 | (2,943,552) |
| Operating profit before taxes on financial services | 3,867,233 | 394 | 175 | 30 | (157) | 782,977 |
| Tax on financial services | (1,157,360) | 323 | 168 | 64 | (35) | (273,796) |
| Profit before income tax expenses | 2,709,873 | 432 | 179 | 11 | (222) | 509,181 |
| Income tax expenses | (1,028,904) | 1,026 | 618 | (159) | (236) | (91,387) |
| Profit for the year | 1,680,969 | 302 | 83 | 49 | (219) | 417,794 |

# Vertical Analysis

| Statement of Financial Position as at 31 March 2026 | 2026 LKR '000 | 2026 % | 2025 % | 2024 % | 2023 % | 2022 % |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 1,467,215 | 1.55 | 2.70 | 2.13 | 5.73 | 1.90 |
| Financial assets at amortised cost – loans and advances to customers | 25,261,316 | 26.76 | 32.55 | 35.03 | 47.77 | 48.09 |
| Financial assets at amortised cost – lease rentals receivables | 51,017,013 | 54.05 | 43.93 | 28.00 | 22.88 | 27.12 |
| Financial assets at amortised cost – loans and advances to others | 53,872 | 0.06 | 0.16 | 0.28 | 0.45 | 0.70 |
| Financial assets measured at FVOCI | 5,458 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Financial assets at amortised cost – debt and other instruments | 10,013,057 | 10.61 | 11.94 | 25.81 | 14.89 | 7.17 |
| Investment in subsidiary | – | – | – | – | – | 5.63 |
| Other assets | 2,608,807 | 2.76 | 2.21 | 1.48 | 1.24 | 0.72 |
| Investment properties | 1,207,380 | 1.28 | 2.41 | 2.41 | 2.20 | 2.69 |
| Intangible assets | 52,273 | 0.06 | 0.15 | 0.27 | 0.38 | 0.54 |
| Property, plant and equipment | 2,154,467 | 2.28 | 3.32 | 3.57 | 3.43 | 4.53 |
| Right-of-use assets | 553,046 | 0.59 | 0.63 | 0.60 | 0.58 | 0.51 |
| Deferred tax assets | 825 | 0.01 | – | 1.02 | 0.44 | 0.40 |
| **Total assets** | 94,394,729 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| **Liabilities and equity** | | | | | | |
| **Liabilities** | | | | | | |
| Bank overdraft | – | – | – | – | 0.29 | 1.53 |
| Financial liabilities at amortised cost – due to customers | 68,927,152 | 73.02 | 72.16 | 77.66 | 80.02 | 74.78 |
| Financial liabilities at amortised cost – debt issued and other borrowed funds | 10,499,515 | 11.12 | 8.15 | 7.82 | 8.06 | 6.88 |
| Current tax liability | 994,013 | 1.05 | 0.61 | 0.42 | – | 0.21 |
| VAT and SSCL on financial services | 128,096 | 0.14 | 0.25 | 0.18 | 0.05 | 0.06 |
| Other liabilities | 4,179,901 | 4.43 | 5.23 | 2.62 | 1.79 | 2.89 |
| Retirement benefit obligation | 409,818 | 0.43 | 0.63 | 0.67 | 0.54 | 0.69 |
| Deferred tax liability | – | – | 0.01 | – | – | – |
| **Total liabilities** | 85,138,495 | 90.19 | 87.03 | 89.36 | 90.75 | 87.05 |

| Statement of Financial Position as at 31 March 2026 | 2026 LKR '000 | 2026 % | 2025 % | 2024 % | 2023 % | 2022 % |
|---|---|---|---|---|---|---|
| **Equity** | | | | | | |
| Stated capital | 1,416,732 | 1.50 | 2.42 | 0.42 | 0.41 | 0.53 |
| General reserve | 82,898 | 0.09 | 0.14 | 0.16 | 0.15 | 0.20 |
| Statutory reserve fund | 1,797,911 | 1.90 | 2.50 | 2.46 | 2.17 | 2.78 |
| Revaluation reserve | 739,433 | 0.78 | 1.26 | 1.30 | 1.27 | 1.78 |
| FVOCI reserve | 2,746 | 0.01 | 0.01 | 0.01 | 0.01 | – |
| Retained earnings | 5,216,514 | 5.53 | 6.34 | 6.29 | 5.25 | 7.67 |
| Equity attributable to the equity holders of the parent | 9,256,234 | 9.81 | 12.97 | 10.64 | 9.25 | 12.95 |
| Regulatory loss reserve | – | – | 0.30 | – | – | – |
| **Total equity** | 9,256,234 | 9.81 | 12.97 | 10.64 | 9.25 | 12.95 |
| **Total equity and liabilities** | 94,394,729 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

| Statement of Profit or Loss for the year ended 31 March 2026 | 2026 LKR '000 | 2026 % | 2025 % | 2024 % | 2023 % | 2022 % |
|---|---|---|---|---|---|---|
| Gross income | 18,493,245 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Interest income | 14,906,205 | 80.60 | 78.96 | 87.43 | 90.12 | 85.61 |
| Interest expenses | (6,276,921) | (33.94) | (37.50) | (52.29) | (58.50) | (35.81) |
| Net interest income | 8,629,284 | 46.66 | 41.46 | 35.14 | 31.62 | 49.80 |
| Other operating income | 2,078,356 | 11.24 | 11.68 | 7.33 | 5.26 | 6.86 |
| Total operating income | 11,526,724 | 62.33 | 59.88 | 46.26 | 39.22 | 62.44 |
| Impairment charges | (1,550,010) | (8.38) | (4.97) | (8.07) | (13.06) | (12.13) |
| Total operating expenses | (6,109,481) | (33.04) | (38.68) | (31.17) | (29.45) | (39.73) |
| Operating profit before taxes on financial services | 3,867,233 | 20.91 | 16.23 | 7.03 | (3.28) | 10.57 |
| Tax on financial services | (1,157,360) | (6.26) | (5.53) | (3.11) | (1.32) | (3.70) |
| Profit before income tax expenses | 2,709,873 | 14.65 | 10.70 | 3.92 | (4.60) | 6.87 |
| Income tax expenses | (1,028,904) | (5.56) | (4.94) | 0.38 | 0.92 | (1.23) |
| Profit for the year | 1,680,969 | 9.09 | 5.76 | 4.29 | (3.68) | 5.64 |

# Quarterly Analysis

| | 2025/26 For the 3 month ended | | | |
|---|---|---|---|---|
| Income Statement | 31 March 2026 | 31 December 2025 | 30 September 2025 | 30 June 2025 |
| Income | 5,594,951,318 | 4,843,069,643 | 4,454,396,966 | 3,600,827,214 |
| Interest income | 4,502,618,079 | 3,938,017,060 | 3,563,664,707 | 2,901,905,391 |
| Interest expenses | (1,908,345,329) | (1,664,526,692) | (1,482,068,462) | (1,221,980,795) |
| Net interest income | 2,594,272,750 | 2,273,490,368 | 2,081,596,245 | 1,679,924,596 |
| Net fee and commission income | 174,485,506 | 162,094,054 | 188,503,205 | 294,001,036 |
| Other operating income | 637,816,074 | 532,117,269 | 558,924,156 | 349,498,805 |
| Total operating income | 3,406,577,329 | 2,967,701,692 | 2,829,023,606 | 2,323,424,437 |
| Impairment charges for loans, leases and other advances | (621,762,619) | (346,768,627) | (272,721,391) | (308,757,323) |
| Net operating income | 2,784,811,710 | 2,620,933,065 | 2,556,302,215 | 2,014,667,114 |
| **Operating expenses** | | | | |
| Personnel expenses | (592,551,301) | (579,683,543) | (579,180,469) | (547,927,324) |
| Depreciation of property, plant and equipment | (41,567,713) | (40,865,134) | (40,710,866) | (39,296,647) |
| Amortisation of intangible asset | (7,846,655) | (7,659,153) | (10,424,646) | (10,527,397) |
| Other operating expenses | (866,005,727) | (903,996,850) | (889,101,427) | (808,096,389) |
| Operating profit before tax on financial services | 1,132,800,630 | 1,088,728,384 | 1,036,884,806 | 608,819,357 |
| Tax on financial services | (305,876,952) | (329,160,284) | (287,927,635) | (234,395,045) |
| Profit before taxation | 826,923,681 | 759,568,100 | 748,957,171 | 374,424,311 |
| Income tax expense profit/(loss) for the period | (297,616,898) | (228,339,587) | (334,244,960) | (168,702,567) |
| Profit/(loss) for the period | 529,306,781 | 531,228,514 | 414,712,211 | 205,721,744 |
| Basic earnings per share (LKR) – for the quarter | 0.25 | 0.26 | 0.20 | 0.10 |

| | As at | | | |
|---|---|---|---|---|
| Statement of Financial Position | 31 March 2026 | 31 December 2025 | 30 September 2025 | 30 June 2025 |
| **Assets** | | | | |
| Cash and cash equivalents | 1,467,214,897 | 1,424,167,558 | 982,812,188 | 1,524,084,362 |
| Financial assets at amortised cost – loans and advances to customers | 25,261,315,194 | 23,543,098,491 | 22,229,240,108 | 20,717,594,785 |
| Financial assets at amortised cost – lease rentals receivables | 51,017,013,327 | 47,261,716,106 | 40,340,153,816 | 31,902,784,087 |
| Financial assets at amortised cost – loans and advances to others | 53,872,176 | 59,553,743 | 79,520,882 | 86,372,805 |
| Financial assets measured at FVOCI | 5,458,327 | 5,674,375 | 5,350,303 | 4,324,073 |
| Financial assets at amortised cost – debt and other instruments | 10,013,057,139 | 7,043,953,539 | 7,019,033,990 | 10,019,411,569 |
| Other financial assets | 2,608,808,030 | 2,469,258,316 | 2,112,533,317 | 1,647,519,569 |
| Investment properties | 1,207,380,000 | 1,203,100,000 | 1,409,600,000 | 1,409,600,000 |

| 2024/25<br>For the 3 month ended | | | |
|---|---|---|---|
| 31 March 2025 | 31 December 2024 | 30 September 2024 | 30 June 2024 |
| 3,730,947,661 | 3,252,419,371 | 3,130,824,555 | 3 ,163,607,452 |
| 2,689,800,342 | 2,603,580,396 | 2,546,007,595 | 2,644,605,303 |
| (1,165,973,750) | (1,221,092,406) | (1,184,647,398) | (1,406,798,104) |
| 1,523,826,591 | 1,382,487,990 | 1,361,360,198 | 1,237,807,199 |
| 260,367,475 | 219,391,193 | 219,371,432 | 194,632,092 |
| 648,795,540 | 336,899,642 | 291,354,397 | 273,870,837 |
| 2,432,989,607 | 1,938,778,826 | 1,872,086,026 | 1,706,310,127 |
| (4,987,825) | (222,652,411) | (187,337,339) | (245,026,710) |
| 2,428,001,782 | 1,716,126,415 | 1,684,748,687 | 1,461,283,417 |
| 533,358,255 | (517,729,403) | (525,984,884) | (493,473,220) |
| (38,792,358) | (39,030,193) | (39,246,289) | (37,566,653) |
| (15,309,429) | (15,525,063) | (18,372,245) | (19,719,817) |
| (748,836,621) | (712,629,377) | (689,159,734) | (690,561,634) |
| 1,091,705,119 | 431,212,379 | 411,985,535 | 219,962,093 |
| (280,838,735) | (175,148,323) | (177,827,829) | (100,153,810) |
| 810,866,385 | 256,064,056 | 234,157,706 | 119,808,282 |
| (503,887,914) | (69,079,577) | (63,705,388) | (19,709,913) |
| 306,978,470 | 186,984,479 | 170,452,318 | 100,098,370 |
| 0.16 | 0.11 | 0.10 | 0.06 |

| As at | | | |
|---|---|---|---|
| 31 March 2025 | 31 December 2024 | 30 September 2024 | 30 June 2024 |
| 1,582,022,331 | 1,074,065,298 | 809,151,253 | 1,121,572,075 |
| 19,043,419,761 | 18,782,731,453 | 19,067,025,199 | 18,508,892,800 |
| 25,700,606,847 | 22,341,628,929 | 19,372,058,628 | 16,708,597,531 |
| 95,241,779 | 105,037,752 | 119,219,503 | 130,873,785 |
| 4,324,073 | 4,432,096 | 4,432,096 | 4,432,096 |
| 6,982,841,561 | 5,550,991,062 | 7,416,321,522 | 9,751,478,065 |
| 1,292,073,599 | 1,239,501,515 | 1,022,117,731 | 960,462,587 |
| 1,409,600,000 | 1,279,700,000 | 1,279,700,000 | 1,279,700,000 |

## Quarterly Analysis

| | As at | | | |
|---|---|---|---|---|
| Statement of Financial Position | 31 March 2026 | 31 December 2025 | 30 September 2025 | 30 June 2025 |
| Property, plant and equipment | 2,154,466,399 | 2,125,871,793 | 1,942,862,296 | 1,963,793,438 |
| Intangible assets | 52,273,003 | 61,172,213 | 58,171,639 | 74,790,395 |
| Right-of-use assets | 553,046,145 | 437,017,953 | 466,058,562 | 365,136,099 |
| Deferred tax assets | 825,292 | – | – | – |
| **Total assets** | 94,394,728,929 | 85,634,584,087 | 76,645,337,101 | 69,715,411,181 |
| **Liabilities** | | | | |
| Bank overdraft | – | – | – | – |
| Financial liabilities at amortised cost – due to customers | 68,927,152,130 | 61,044,389,973 | 56,658,113,108 | 51,334,750,199 |
| Financial liabilities at amortised cost – debt issued and other borrowed funds | 10,499,515,003 | 10,602,170,751 | 5,246,943,404 | 4,877,057,596 |
| Other liabilities | 4,179,900,710 | 3,934,148,283 | 5,313,123,900 | 4,629,441,565 |
| Current tax liabilities | 1,122,108,362 | 899,058,472 | 602,129,463 | 705,080,649 |
| Retirement benefit obligation | 409,818,088 | 387,541,788 | 383,725,141 | 375,993,852 |
| Deferred tax liability | – | 27,296,863 | 232,876,714 | 400,391 |
| Total liabilities | 85,138,494,293 | 76,894,606,130 | 68,436,911,730 | 61,922,724,251 |
| **Equity** | | | | |
| Stated capital | 1,416,731,755 | 1,416,731,755 | 1,416,731,755 | 1,416,731,755 |
| General reserves | 82,897,989 | 82,897,989 | 82,897,989 | 82,897,989 |
| Statutory reserve fund | 1,797,911,089 | 1,461,717,239 | 1,461,717,239 | 1,461,717,239 |
| Reserves | 739,433,326 | 739,433,326 | 739,433,326 | 739,433,326 |
| FVOCI reserve | 2,746,217 | 2,962,266 | 2,638,193 | 1,611,963 |
| Retained earnings | 5,216,514,260 | 5,036,235,381 | 4,505,006,869 | 4,002,534,276 |
| Regulatory loss reserve | – | – | – | 87,760,381 |
| Total equity | 9,256,234,635 | 8,739,977,957 | 8,208,425,371 | 7,792,686,930 |
| Total equity and liabilities | 94,394,728,929 | 85,634,584,087 | 76,645,337,101 | 69,715,411,181 |
| Net asset value per share | 4.45 | 4.21 | 3.95 | 3.75 |

| As at | | | |
|---|---|---|---|
| 31 March 2025 | 31 December 2024 | 30 September 2024 | 30 June 2024 |
| 1,940,496,244 | 1,900,569,693 | 1,885,351,962 | 1,869,581,768 |
| 85,092,793 | 98,379,722 | 113,859,785 | 126,469,849 |
| 367,542,225 | 347,243,496 | 291,766,429 | 307,412,871 |
| – | 539,907,826 | 539,907,826 | 539,907,826 |
| 58,503,261,213 | 53,264,188,843 | 51,920,911,934 | 51,309,381,255 |
| | | | |
| – | – | – | – |
| | | | |
| 42,217,981,305 | 40,546,116,838 | 37,990,644,903 | 38,167,654,250 |
| | | | |
| 4,767,543,102 | 3,686,784,452 | 5,430,372,756 | 5,336,823,778 |
| 3,057,129,108 | 2,186,659,853 | 1,892,602,709 | 1,408,669,148 |
| 503,361,366 | 389,200,712 | 339,594,896 | 298,227,822 |
| 369,880,756 | 346,157,342 | 345,411,503 | 346,173,398 |
| 400,391 | – | – | – |
| 50,916,296,027 | 47,154,919,196 | 45,998,626,767 | 45,557,548,396 |
| | | | |
| 1,416,731,755 | 223,545,481 | 223,545,481 | 223,545,481 |
| 82,897,989 | 82,897,989 | 82,897,989 | 82,897,989 |
| 1,461,717,239 | 1,308,814,512 | 1,308,814,512 | 1,308,814,512 |
| 739,433,326 | 693,361,510 | 693,361,510 | 693,361,510 |
| 1,611,963 | 1,719,987 | 1,719,987 | 1,719,987 |
| 3,708,629,535 | 3,798,930,168 | 3,611,945,688 | 3,441,493,380 |
| 175,943,378 | – | – | – |
| 7,586,965,185 | 6,109,269,647 | 5,922,285,166 | 5,751,832,859 |
| 58,503,261,213 | 53,264,188,843 | 51,920,911,934 | 51,309,381,255 |
| 4.27 | 3.55 | 3.44 | 3.34 |

# Quarterly Analysis

| | Period ended | | | |
|---|---|---|---|---|
| Cash Flow Statement | 31 March 2026 | 31 December 2025 | 30 September 2025 | 30 June 2025 |
| Net cash from/(Used in) operating | **(2,230,048,479)** | (5,613,023,554) | (810,263,961) | 2,952,148,010 |
| Net cash flows from/(Used in) investing activities | **(2,593,084,235)** | 289,149,244 | 199,025,739 | (2,944,566,074) |
| Net cash flows from/(Used in) financing activities | **4,708,325,281** | 5,166,019,537 | 12,028,081 | (65,519,905) |
| Net increase in cash and cash equivalents | **(114,807,433)** | (157,854,773) | (599,210,142) | (57,937,969) |
| **Ratios** | | | | |
| **Profitability and efficiency ratio** | | | | |
| Net interest margin (%) | **12.33** | 12.11 | 11.94 | 12.08 |
| Non-interest income to gross income (%) | **15.67** | 18.46 | 19.61 | 19.61 |
| Cost to income (%) | **53.00** | 54.98 | 57.42 | 61.95 |
| **Liquidity and funding ratio** | | | | |
| Customer deposits to total interest bearing liabilities (%) | **86.78** | 85.20 | 91.53 | 91.32 |
| Savings deposits to total deposits (%) | **4.13** | 4.01 | 4.43 | 4.62 |
| Loans to deposits (LDR) (%) | **119.77** | 126.52 | 121.11 | 113.93 |
| Cost of deposits (%) | **9.92** | 10.26 | 10.16 | 10.39 |
| Cost of borrowings (%) | **10.03** | 11.39 | 10.54 | 10.68 |
| Cost of funds (%) | **9.93** | 10.41 | 10.20 | 10.43 |
| **Capitalisation and leverage ratio** | | | | |
| Debt-to-equity ratio (Times) | **8.58** | 8.80 | 8.30 | 7.90 |
| Tier-1 regulatory risk – weighted capital adequacy ratio (%) | **9.61** | 8.96 | 9.03 | 10.27 |
| Overall regulatory risk – weighted capital adequacy ratio (%) | **13.07** | 13.24 | 13.79 | 15.77 |
| **Investor information** | | | | |
| Net assets value per share – LKR | **4.45** | 4.21 | 3.95 | 3.75 |
| Earnings per share (EPS) – LKR | **0.81** | 0.55 | 0.30 | 0.10 |

| | Period ended | | | |
|---|---|---|---|---|
| | 31 March 2025 | 31 December 2024 | 30 September 2024 | 30 June 2024 |
| | (8,041,906,317) | (7,706,725,851) | (7,981,570,876) | (5,285,787,407) |
| | 7,356,926,518 | 8,699,666,669 | 6,714,419,067 | 4,250,214,553 |
| | 1,133,574,247 | (1,052,303,404) | 942,875,179 | 1,023,717,046 |
| | 448,594,447 | (59,362,586) | (324,276,631) | (11,855,809) |
| | | | | |
| | 11.10 | 11.15 | 11.36 | 11.23 |
| | 18.76 | 17.15 | 15.51 | 14.12 |
| | 64.59 | 68.86 | 70.26 | 72.74 |
| | | | | |
| | 89.85 | 91.67 | 87.49 | 87.73 |
| | 6.25 | 5.45 | 6.16 | 6.45 |
| | 119.04 | 118.22 | 118.55 | 109.10 |
| | 11.34 | 11.66 | 12.07 | 15.37 |
| | 10.83 | 11.34 | 11.57 | 14.49 |
| | 11.04 | 11.38 | 11.77 | 15.28 |
| | | | | |
| | 6.19 | 7.72 | 7.77 | 7.92 |
| | | | | |
| | 11.38 | 7.82 | 8.33 | 8.73 |
| | | | | |
| | 14.44 | 11.16 | 12.43 | 13.03 |
| | | | | |
| | 4.27 | 3.55 | 3.44 | 3.34 |
| | 0.43 | 0.27 | 0.16 | 0.06 |

# Ten Year Statistical Summary

| For the year ended 31 March | 2026 | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| **Operating results** | | | | |
| Income | 18,493,245,141 | 13,277,799,039 | 14,908,905,452 | 13,483,773,260 |
| Interest income | 14,906,205,237 | 10,483,993,636 | 13,090,703,356 | 12,151,868,943 |
| Interest expense | (6,276,921,278) | (4,978,511,658) | 7,564,777,549 | 7,888,159,082 |
| Non interest income | 3,587,039,904 | 2,793,805,403 | 1,818,202,096 | 1,331,904,317 |
| Non interest expense | (2,239,609,759) | (979,055,024) | (1,818,154,869) | 2,067,834,717 |
| Operating expense (incl VAT,NBT and DRL) | (7,266,840,841) | (5,899,335,928) | (4,959,267,599) | 4,148,535,159 |
| Profit/(Loss) before income tax | 2,709,873,263 | 1,420,896,429 | 566,705,435 | (620,755,699) |
| Income tax on profit | (1,028,904,013) | (656,382,792) | 54,282,906 | 124,638,035 |
| Profit/(Loss) after taxation | 1,680,969,250 | 764,513,637 | 620,988,341 | (496,117,664) |
| **Liabilities and shareholders' funds** | | | | |
| Customer deposits | 68,927,152,130 | 42,217,981,305 | 41,260,879,894 | 43,735,766,080 |
| Borrowings | 10,499,515,003 | 4,767,543,102 | 4,157,249,111 | 4,563,981,219 |
| Other liabilities | 5,711,827,160 | 3,930,371,230 | 2,388,238,444 | 4,563,981,219 |
| Deferred tax liabilities | – | 400,391 | – | – |
| Shareholders' funds | 9,256,234,636 | 7,586,965,185 | 5,651,734,480 | 5,057,131,532 |
| **Total** | 94,394,728,929 | 58,503,261,213 | 53,458,101,729 | 54,657,280,533 |
| **Assets** | | | | |
| Loans and receivables to customers (Net) | 76,332,200,697 | 44,839,268,387 | 33,635,612,432 | 38,611,969,379 |
| Cash, short term deposits and balances with Central Bank of Sri Lanka | 11,480,272,036 | 8,564,863,892 | 14,848,026,858 | 11,270,061,375 |
| Property, plant and equipment | 2,154,466,399 | 1,940,496,244 | 1,896,709,154 | 1,876,983,972 |
| Deferred tax assets | 825,292 | – | 539,907,826 | 242,387,523 |
| Other assets | 4,426,964,505 | 3,158,632,690 | 2,537,845,459 | 2,655,878,284 |
| **Total** | 94,394,728,929 | 58,503,261,213 | 53,458,101,729 | 54,657,280,533 |
| **Ratios** | | | | |
| Return on average shareholder funds (%) | 19.96 | 11.54 | 11.60 | -9.42 |
| Income growth (%) | 39.3 | -10.9 | 9.33 | 82.01 |
| Return on average assets (%) | 2.20 | 1.37 | 1.15 | -1.02 |
| Dividend Cover (Times) | – | – | – | – |
| Property plant and equipment to shareholders' funds (%) | 23.3 | 25.6 | 33.56 | 37.12 |
| Total assets to shareholders' funds (Times) | 10.20 | 7.71 | 9.46 | 10.81 |
| **Share information** | | | | |
| Earnings/loss per share (LKR) | 0.81 | 0.43 | 0.36 | –0.29 |
| Dividend per share (LKR) | – | – | – | – |
| Gross dividends (LKR) | – | – | – | – |
| **Other information** | | | | |
| No of employees | 1907 | 1,931 | 2,004 | 1,956 |
| No of branches | 76 | 79 | 79 | 77 |
| No of service centres | – | – | – | – |

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| 7,408,159,233 | 7,167,025,059 | 9,170,137,700 | 8,291,663,723 | 7,482,548,192 | 6,234,033,583 |
| 6,342,351,585 | 6,478,389,314 | 8,105,612,178 | 7,229,168,801 | 6,537,663,310 | 5,327,018,057 |
| 2,652,931,302 | 3,521,400,330 | 3,719,330,982 | 2,802,086,025 | 2,373,460,579 | 1,465,618,208 |
| 1,065,807,648 | 689,027,217 | 1,064,703,650 | 1,062,494,921 | 945,987,922 | 907,097,366 |
| 1,028,698,524 | 1,141,685,942 | 1,246,268,191 | 995,829,256 | 795,655,675 | 805,903,349 |
| 3,217,347,957 | 2,700,637,571 | 3,545,069,344 | 3,231,816,948 | 2,731,867,199 | 2,336,212,991 |
| 509,181,450 | (196,307,312) | 659,647,311 | 1,261,931,494 | 1,582,667,779 | 1,626,380,875 |
| 91,387,424 | (72,694,187) | 264,403,871 | 431,335,672 | 570,884,458 | 567,546,689 |
| 417,794,026 | (123,613,125) | 395,243,440 | 830,595,822 | 1,011,783,321 | 1,058,834,186 |
| | | | | | |
| 31,593,426,528 | 28,046,962,308 | 27,528,789,668 | 22,632,141,889 | 18,821,363,686 | 14,040,245,231 |
| 3,553,825,694 | 2,636,572,519 | 3,822,043,053 | 4,217,579,835 | 1,178,231,116 | 1,333,380,268 |
| 1,626,471,429 | 1,176,946,176 | 1,591,583,216 | 1,449,998,346 | 1,208,903,672 | 772,847,350 |
| – | – | – | – | – | 16,115,738 |
| 5,472,881,088 | 4,894,906,257 | 4,999,721,919 | 4,629,467,205 | 4,130,296,294 | 3,390,204,237 |
| 42,246,604,739 | 36,755,387,260 | 37,942,137,856 | 32,929,187,275 | 25,338,794,768 | 19,552,792,824 |
| | | | | | |
| 32,065,428,429 | 28,777,654,805 | 28,302,570,401 | 25,470,710,661 | 19,044,674,591 | 13,763,766,163 |
| | | | | | |
| 3,830,983,399 | 4,145,104,204 | 5,750,108,626 | 3,874,464,350 | 3,136,605,336 | 2,962,784,849 |
| 1,913,913,679 | 1,590,028,807 | 1,625,569,182 | 1,420,476,897 | 1,158,835,158 | 1,119,409,029 |
| 169,231,151 | 153,987,656 | 167,121,098 | 189,768,514 | 124,848,966 | – |
| 4,267,048,081 | 2,088,611,788 | 2,096,768,549 | 1,973,766,852 | 1,873,830,717 | 1,706,832,783 |
| 42,246,604,739 | 36,755,387,260 | 37,942,137,856 | 32,929,187,274 | 25,338,794,768 | 19,552,792,824 |
| | | | | | |
| 8.06 | (2.50) | 8.21 | 18.06 | 26.91 | 36.62 |
| 3.36 | (21.84) | 10.59 | 10.81 | 20.03 | 38.99 |
| 1.06 | (0.33) | 1.12 | 2.85 | 4.51 | 6.24 |
| – | – | – | – | 2.57 | 4.66 |
| | | | | | |
| 34.97 | 32.48 | 32.51 | 30.68 | 28.06 | 33.02 |
| 7.72 | 7.51 | 7.59 | 7.11 | 6.13 | 5.77 |
| | | | | | |
| 0.24 | (0.07) | 0.23 | 0.48 | 0.59 | 0.62 |
| – | – | – | – | 0.23 | 0.13 |
| – | – | – | – | 326,720,318 | 189,153,868 |
| | | | | | |
| 1,878 | 1,851 | 1,964 | 1,961 | 1,746 | 1,594 |
| 70 | 60 | 48 | 48 | 48 | 48 |
| – | 10 | 21 | 21 | 21 | 21 |

# Share Information

## List of 20 Major Shareholders – Voting as at 31 March 2026

| Name | Number of shares | Percentage |
|---|---|---|
| Hatton National Bank PLC (A/C No.1) | 875,925,809 | 51.00 |
| Seylan Bank PLC/Prime Lands (Pvt) Ltd. (Collateral) | 400,000,000 | 23.29 |
| Seylan Bank PLC/Phantom Investments Pvt Ltd. | 40,000,000 | 2.33 |
| Seylan Bank PLC/Arcasia Investments and Trading Pvt Ltd. | 27,000,000 | 1.57 |
| Seylan Bank PLC/ARRC Capital (Pvt) Ltd. | 18,462,891 | 1.07 |
| Seylan Bank PLC/Weththinge Jinadasa | 12,333,925 | 0.72 |
| Seylan Bank PLC/Pinnaduwage Aravinda de Silva | 10,000,000 | 0.58 |
| Mrs S Amarasekera | 9,500,000 | 0.55 |
| Commercial Bank of Ceylon PLC/P A de Silva | 9,102,288 | 0.53 |
| Seylan Bank PLC/Gladstone Capital Private Limited | 9,094,060 | 0.53 |
| Peoples Leasing and Finance PLC/N N Dissanayaka | 7,123,166 | 0.41 |
| DFCC Bank PLC A/C No. 02 | 6,350,000 | 0.37 |
| Seylan Bank PLC/Nishantha Pradeep Wijethunga Delgoda | 5,974,548 | 0.35 |
| Seylan Bank PLC/A P Jayasinghe | 5,850,000 | 0.34 |
| Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd | 5,792,289 | 0.34 |
| DFCC Bank PLC/ATX Partners (Pvt) Ltd. | 4,748,400 | 0.28 |
| Bairstow Eves (Pvt) Ltd. | 4,740,588 | 0.28 |
| Seylan Bank PLC/Priyantha Pushpakumara Maddumage | 4,220,320 | 0.25 |
| Mr M M Sunil Madawala Maddumage | 3,000,000 | 0.17 |
| Bank of Ceylon A/C CEY Bank Century Growth Fund | 2,971,254 | 0.17 |
| Others | 255,312,049 | 14.87 |
| **Total** | 1,717,501,587 | 100 |

## Analysis of Shareholders according to the number of Shares – Voting

As at 31 March 2026

| Shareholdings | Resident | | | Non resident | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % |
| 1 to 1000 | 102780 | 18,194,045 | 1.06 | 6 | 3,102 | 0.00 | 102,786 | 18,197,147 | 1.06 |
| 1001 to 10,000 | 3,329 | 11,398,166 | 0.66 | 5 | 35,745 | 0.00 | 3,334 | 11,433,911 | 0.66 |
| 10,001 to 100,000 | 1,173 | 41,767,222 | 2.43 | 13 | 464,413 | 0.03 | 1,186 | 42,231,635 | 2.46 |
| 100,001 to 1,000,000 | 345 | 99,117,185 | 5.77 | 2 | 520,812 | 0.03 | 347 | 99,637,997 | 5.80 |
| Over 1,000,000 shares | 68 | 1,544,000,897 | 89.90 | 1 | 2,000,000 | 0.12 | 69 | 1,546,000,897 | 90.02 |
| | 107,695 | 1,714,477,515 | 99.82 | 27 | 3,024,072 | 0.18 | 107,722 | 1,717,501,587 | 100.00 |

As at 31 March 2025

| Shareholdings | Resident | | | Non resident | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % |
| 1 to 1000 | 101,176 | 17,723,170 | 1.03 | 2 | 1,451 | 0.00 | 101,178 | 17,724,621 | 1.03 |
| 1001 to 10,000 | 2,602 | 8,368,442 | 0.49 | 3 | 24,645 | 0.00 | 2,605 | 8,393,087 | 0.49 |
| 10,001 to 100,000 | 1,116 | 39,685,693 | 2.31 | 4 | 79,083 | 0.00 | 1,120 | 39,764,776 | 2.31 |
| 100,001 to 1,000,000 | 327 | 85,870,451 | 5.00 | 3 | 483,888 | 0.03 | 330 | 86,354,339 | 5.03 |
| Over 1,000,000 shares | 29 | 1,561,170,409 | 90.90 | 2 | 4,094,355 | 0.24 | 31 | 1,565,264,764 | 91.14 |
| | 105,250 | 1,712,818,165 | 99.73 | 14 | 4,683,422 | 0.27 | 105,264 | 1,717,501,587 | 100.00 |

## Categories of Shareholders – Voting

| Categories of Shareholders | As at 31 March 2026 | | As at 31 March 2025 | |
|---|---|---|---|---|
| | Number of Shareholders | Number of Shares | Number of Shareholders | Number of Shares |
| Individual | 107,475 | 202,075,949 | 105,097 | 269,987,079 |
| Institutional | 247 | 1,515,425,638 | 167 | 1,447,514,508 |
| | 107,722 | 1,717,501,587 | 105,264 | 1,717,501,587 |

## List of 20 Major Shareholders – Non-Voting as at 31 March 2026

| Name | Number of shares | Percentage |
|---|---|---|
| Seylan Bank PLC. – A/C NO. 3 | 281,489,926 | 78.12 |
| Wealth Guard (Pvt) Ltd. | 30,310,223 | 8.41 |
| Assetline Finance PLC/E Thawagnasundaram | 6,097,902 | 1.69 |
| People's Leasing & Finance PLC/Mr D M P Disanayake | 3,827,087 | 1.06 |
| DFCC Bank PLC A/C No. 02 | 2,300,000 | 0.64 |
| People's Leasing & Finance PLC/Mrs C M Dissanayake | 2,102,653 | 0.58 |
| Seylan Bank PLC/Anuja Chamila Jayasinghe | 1,585,447 | 0.44 |
| Mr G Wickremasinghe | 1,549,330 | 0.43 |
| Assetline Finance PLC/H A S P Kumara | 1,296,219 | 0.36 |
| Seylan Bank PLC/A P Jayasinghe | 1,000,000 | 0.28 |
| People's Leasing & Finance PLC/Mr R R S Ananda | 953,325 | 0.26 |
| Mr S A L K Sooriya Arachchi | 615,000 | 0.17 |
| Amana Bank PLC/HI-LINE Towers (Pvt) Limited | 555,215 | 0.15 |
| Mrs W D B Malani | 545,583 | 0.15 |
| Mr M F Bakir | 500,000 | 0.14 |
| Mr B W R Srikantha | 460,452 | 0.13 |
| Senkadagala Finance PLC/N W D I Sanjeewan Sirimanna | 434,532 | 0.12 |
| Mr A H O Weerasuriya Joint – 1 Mrs B A C S Weerasuriya | 400,000 | 0.11 |
| Citizens Development Business Finance PLC/H D D Gayan | 397,465 | 0.11 |
| Mr K R T Bandara | 395,990 | 0.11 |
| Others | 23,508,651 | 6,54 |
| **Total** | 360,325,000 | 100 |

## Share Information

# Analysis of Shareholders according to the number of Shares – Non-Voting

As at 31 March 2026

| Shareholdings | Resident | | | Non resident | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % |
| 1 to 1000 | 962 | 266,336 | 0.07 | 2 | 1,100 | 0.00 | 964 | 267,436 | 0.07 |
| 1001 to 10,000 | 555 | 2,406,524 | 0.67 | 2 | 20,000 | 0.01 | 557 | 2,426,524 | 0.68 |
| 10,001 to 100,000 | 307 | 10,210,349 | 2.83 | 1 | 40,000 | 0.01 | 308 | 10,250,359 | 2.84 |
| 100,001 to 1,000,000 | 64 | 16,821,904 | 4.67 | 0 | 0 | 0.00 | 64 | 16,821,904 | 4.67 |
| Over 1,000,000 shares | 9 | 330,558,787 | 91.74 | 0 | 0 | 0.00 | 9 | 330,558,787 | 91.74 |
| | 1,897 | 360,263,900 | 99.98 | 5 | 61,100 | 0.02 | 1.902 | 360,325,000 | 100.00 |

As at 31 March 2025

| Shareholdings | Resident | | | Non resident | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % | Number of Shareholders | Number of Shares | % |
| 1 to 1000 | 489 | 115,191 | 0.04 | 0 | 0 | 0.00 | 489 | 115,191 | 0.04 |
| 1001 to 10,000 | 201 | 696,077 | 0.19 | 0 | 0 | 0.00 | 201 | 696,077 | 0.19 |
| 10,001 to 100,000 | 78 | 2,424,729 | 0.67 | 0 | 0 | 0.00 | 78 | 2,424,729 | 0.67 |
| 100,001 to 1,000,000 | 22 | 3,868,845 | 1.07 | 0 | 0 | 0.00 | 22 | 3,868,845 | 1.07 |
| Over 1,000,000 shares | 4 | 353,220,158 | 98.03 | 0 | 0 | 0.00 | 4 | 353,220,158 | 98.03 |
| | 794 | 360,325,000 | 100.00 | 0 | 0 | 0.00 | 794 | 360,325,000 | 100.00 |

# Categories of Shareholders – Non-Voting

| | As at 31 March 2026 | | As at 31 March 2025 | |
|---|---|---|---|---|
| | Number of Shareholders | Number of Shares | Number of Shareholders | Number of Shares |
| Individual | 1,815 | 22,865,183 | 755 | 6,999,226 |
| Institutional | 87 | 337,459,817 | 39 | 353,325,774 |
| | 1,902 | 360,325,000 | 794 | 360,325,000 |

## Public holding

- Public Holding percentage of Voting Shares as at 31 March 2026 being 25.62% comprising 107,715 shareholders and
- Public Holding percentage of Non-Voting Shares as at 31 March 2026 being 13.46% comprising 1,900 shareholders.
- The float adjusted Market Capitalisation as at 31 March 2026 – Ordinary Voting Shares – LKR 15,114,013,965.60
  Ordinary Non-Voting Shares – LKR 2,882,600,000.00
- The Float adjusted market capitalisation of the Company falls within the option 2 of the Rule 7.13.1 (b), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

The Company's shares were listed on 20 May 2020 on the Diri Savi Board of the Colombo Stock Exchange.

## Directors and Chief Executive Officer's Shareholding

| | As at 31 March 2026 | | As at 31 March 2025 | |
|---|---|---|---|---|
| Ordinary voting shares | Number of Shares | % | Number of Shares | % |
| A G R Dissanayake | – | – | – | – |
| Mr Chaminda Prabhath | 1,208,333 | 0.07 | 1,208,333 | 0.07 |
| Mr P L P Withana | – | – | – | – |
| Mr M S Polamarasetty | – | – | – | – |
| Mr B Premalal | – | – | 54,847,507 | 3.19 |
| Mr P A W Perera | – | – | – | – |
| Dr T K D A P Samarasinghe | – | – | – | – |
| Ms Ramanika Unamboowe | – | – | N/A | N/A |
| **Total** | 1,208,333 | 0.07 | 56,055,840 | 3.26 |

The Directors of the Company do not hold Non-Voting Shares as at 31 March 2026 and 31 March 2025.

## Information on Shares

### Market prices for period ended 31 March 2026

| | Ordinary Voting Shares | | Ordinary Non-Voting Shares | |
|---|---|---|---|---|
| Categories of Shareholders | As at 31 March 2026 | As at 31 March 2025 | As at 31 March 2026 | As at 31 March 2025 |
| Highest price (LKR) | 10.90 | 6.10 | 9.50 | 6.00 |
| Lowest price (LKR) | 7.50 | 3.10 | 7.30 | 4.10 |
| Last traded (LKR) | 8.80 | 4.00 | 8.00 | 4.90 |

## Market capitalisation as at 31 March 2026

| | As at 31 March 2026 | As at 31 March 2025 |
|---|---|---|
| Highest price (LKR) | 15,114,013,966 | 6,870,006,348 |
| Lowest price (LKR) | 2,882,600,000 | 1,765,592,500 |

The shares of HNB Finance PLC were listed on 20 May 2020 on Diri Savi Board of the Colombo Stock Exchange.

# Branch Information

## Central Province

**Dambulla**
No. 818, Dambulugama Junction,
Dambulla.
662117760

**Hatton**
No. 167, Dickoya Road,
Hatton.
512117750

**Kandy**
No. 677, William Gopallawa Mawatha,
Kandy.
812117750

**Katugastota**
No. 280 A, Katugasthota Road,
Kandy.
812117770

**Matale**
No. 19, Kandy Road,
Matale.
662117750

**Nawalapitiya**
No. 30/32, Ambagamuwa Road,
Nawalapitiya.
542117750

**Nuwara Eliya**
No. 5, Srimath Jayathilaka Mawatha,
Nuwara Eliya.
522117750

**Rikillagaskada**
No.06, Dibulkumbura Road,
Rikillagaskada.
812117760

## Eastern Province

**Ampara**
No. 27, Nidahas Mawatha,
Ampara.
632117750

**Batticaloa**
No. 39/2, Central Road,
Batticaloa.
652117750

**Dehiattakandiya**
No. 08, New Town,
Dehiattakandiya.
272117760

**Kalmunai**
No. 114, Main Street,
Kalmunai.
672117750

**Kanthale**
No. 58/G, Main Street,
Kanthale.
262117760

**Pottuvil**
Main Street,
Pottuvil.
632117760

**Trincomalee**
No. 124/02, Main Street,
Trincomalee.
262117750

## North Central Province

**Anuradhapura**
No. 64, Abhaya Place, New Town,
Anuradhapura.
252117750

**Galenbindunuwewa**
No. 87/62, Opposite People's Bank,
Galenbindunuwewa.
252117780

**Kekirawa**
No. 43 Thalawa Road,
Kekirawa.
252117740

**Medawachchiya**
No. 36, Kandy Road,
Madawachchiya.
252117760

**Nochchiyagama**
No. 58, Puttalam Road,
Nochchiyagama.
252117770

**Padaviya**
Bandaranayake Mawatha,
Padaviya.
252117790

**Polonnaruwa**
No. 57/4, Batticola Road,
Polonnaruwa.
272117750

## North Western Province

**Chilaw**
No. G1/F1, New Shopping Complex,
Court Road, Chilaw.
322117750

**Galgamuwa**
No. 349, Anuradhapura Road,
Galgamuwa.
372117760

**Kuliyapitiya**
No. 355, Madampe Road,
Kuliyapitiya.
372117780

**Kurunegala**
No. 94, Kandy Road,
Kurunegala.
372117750

**Kurunegala Metro**
No. 155, Puttalam Road,
Kurunegala.
372117790

**Marawila**
No. 63, Colombo Road,
Marawila.
322117770

**Nikaweratiya**
No. 227, Puttalam Road,
Nikaweratiya.
372117770

**Norochcholai**
Kalpitiya Road,
Norochcholai.
322117760

**Puttalam**
No. 44/A, Service Road,
Puttalam.
322117780

**Wennappuwa**
No. 153/1C, Chilaw Road,
Dummaladeniya Middle,
Wennappuwa.
312117760

## Northern Province

**Jaffna**
No. 149/A, K.K.S. Road,
Jaffna.
212117750

**Kilinochchi**
No. 08, Kanakapuran Road, Uthayanager–East,
Kilinochchi.
212117780

**Mallavi**
Thunukkai Road,
Mallavi.
212117760

**Mannar**
No. 1st Floor, Our Lady Of Victories Building,
Main Street, Mannar.
232117750

**Mullaitivu**
Main Street,
Mullaitivu.
212117790

**Nelliyady**
New Market, Main Street,
Nelliyady.
212117770

**Vavuniya**
No. 65A/1, 1st Cross Street,
Vavuniya.
242117760

## Sabaragamuwa Province

**Balangoda**
No. 71/C, Old Road,
Balangoda.
452117760

**Embilipitiya**
No. 59, Rathnaweera Building,
Main Street, Pallegama,
Embilipitiya.
472117780

**Kegalle**
No. 290/28, Main Street,
Kegalle.
352117750

**Rathnapura**
No. 298, Kudugalwatta, Main Street,
Rathnapura.
452117750

## Uva Province

**Badulla**
No. 11, Bazar Street,
Badulla.
552117750

**Bandarawela**
No. 496, Badulla Road,
Bandarawela.
572117750

**Mahiyanganaya**
No. 207, Padiyathalawa Road,
Mahiyanganaya.
552117760

**Monaragala**
No. 306, Wellawaya Road,
Monaragala.
552117770

**Welimada**
No. 44, Nuwara Eliya Road,
Welimada.
572117760

## Southern Province

**Ambalangoda**
No. 97, Galle Road,
Ambalangoda.
912117760

**Beliatta**
No. 51/1, Matara Road,
Beliatta.
472117770

**Galle**
No. 48, Olcott Mawatha,
Galle.
912117750

**Ambalanthota**
No. 43, Main Street,
Ambalanthota.
472117750

**Matara**
No. 386/1/1, Anagarika Darmapala Mawatha,
Pamburana, Matara.
412117750

**Morawaka**
No. 07, Nilwala Building,
Morawaka.
412117760

**Thissamaharamaya**
No. 29, Palliyawatta Road,
Thissamaharama.
472117760

## Western Province

**Avissawella**
No. 117 B, Rathnapura Road,
Avissawella.
362117750

**Bandaragama**
No. 55, Horana Road,
Bandaragama.
382117750

**Borella**
No. 61, D.S. Senanayake Mawatha,
Colombo 08.
112127439

**City**
No. 67/1, Mahinda Place,
High–Level Road, Kirulapone,
Colombo 05.
112127600

**Gampaha**
No. 103, Bauddhaloka Mawatha,
Gampaha.
332117750

**Gampaha 2**
No. 35A, Queen Mary's Road,
Gampaha.
332117780

**Head office**
No. 168, Nawala Road,
Nugegoda.
112176262

**Head office Branch**
No. 168, Nawala Road,
Nugegoda.
112127441

**Homagama**
No. 62/A, High Level Road,
Homagama.
112127650

**Horana**
No. 161, Rathnapura Road,
Horana.
342117770

# Branch Information

**Ja–Ela**
No. 59/A, Negombo Road,
Ja Ela.
112127680

**Kaduwela**
No. 155/2A, Avissawella Road,
Hewagama,
Kaduwela.
112127670

**Kalutara**
No. 427, Galle Road,
Kalutara North.
342117750

**Kiribathgoda**
No. 58, Kandy Road,
Kiribathgoda.
112127610

**Maharagama**
No. 17, High Level Road,
Maharagama.
112025460

**Mathugama**
No. 143, Agalawatta Road,
Mathugama.
342117760

**Moratuwa**
No. 597, Galle Road, Rawathawatta,
Moratuwa.
112127630

**Negombo**
No. 58, St. Joseph Street,
Negombo.
312117750

**Nittambuwa**
No. 9, Kandy Road,
Nittambuwa.
332117760

**Panadura**
No. 31/1, Horana Road,
Panadura.
342117780

**Piliyandala**
No. 97, 99/1/2, Horana Road,
Piliyandala.
112127615

**Wattala**
No. 420, Negombo Road,
Wattala.
112127660

# GRI Content Index

| | |
|---|---|
| Statement of use | HNB Finance PLC has reported the information cited in this GRI content index for the period 1 April 2025 to 31 March 2026 with reference to the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

| GRI Standard | Disclosure | Location |
|---|---|---|
| **GRI 2: General Disclosures 2021** | 2-1 Organisational details | 5, 6, 7 |
| | 2-2 Entities included in the organisation's sustainability reporting | 3,4 |
| | 2-3 Reporting period, frequency and contact point | 3,4 |
| | 2-4 Restatements of information | 3,4 |
| | 2-5 External assurance | 3, 239, 302 |
| | 2-6 Activities, value chain and other business relationships | 10 - 13, 62 - 63 |
| | 2-7 Employees | 12, 122 - 143 |
| | 2-8 Workers who are not employees | 122 - 143 |
| | 2-9 Governance structure and composition | 197 - 200 |
| | 2-10 Nomination and selection of the highest governance body | 202 |
| | 2-11 Chair of the highest governance body | 186 |
| | 2-15 Conflicts of interest | 206, 235 |
| | 2-17 Collective knowledge of the highest governance body | 186 - 191 |
| | 2-18 Evaluation of the performance of the highest governance body | 203 |
| | 2-19 Remuneration policies | 245, 251 - 252, 299 |
| | 2-20 Process to determine remuneration | 245, 251 - 252, 299 |
| | 2-22 Statement on sustainable development strategy | 64 - 79 |
| | 2-23 Policy commitments | 4, 14 - 15 |
| | 2-24 Embedding policy commitments | 44- 55, 64 - 75 |
| | 2-26 Mechanisms for seeking advice and raising concerns | 32 - 39, 208 - 247, 249 |
| | 2-27 Compliance with laws and regulations | 302 - 303 |
| | 2-28 Membership associations | 437 |
| | 2-29 Approach to stakeholder engagement | 32 - 39 |
| | 2-30 Collective bargaining agreements | 156 |
| **GRI 3: Material Topics 2021** | 3-1 Process to determine material topics | 40 - 43 |
| | 3-2 List of material topics | 42 - 43 |
| | 3-3 Management of material topics | 82 - 181 |
| **GRI 201: Economic Performance 2016** | 201-1 Direct economic value generated and distributed | 97 |
| | 201-3 Defined benefit plan obligations and other retirement plans | 321, 332 - 333 |
| **GRI 203: Indirect Economic Impacts 2016** | 203-1 Infrastructure investments and services supported | 64 - 79, 144 - 163 |
| | 203-2 Significant indirect economic impacts | 64 - 79, 144 - 163 |

# GRI Content Index

| GRI Standard | Disclosure | Location |
|---|---|---|
| **GRI 302: Energy 2016** | 302-1 Energy consumption within the organisation | 169 |
| | 302-3 Energy intensity | 169 |
| | 302-4 Reduction of energy consumption | 169 |
| **GRI 303: Water and Effluents 2018** | 303-1 Interactions with water as a shared resource | 169 |
| | 303-5 Water consumption | 169 |
| **GRI 305: Emissions 2016** | 305-1 Direct (Scope 1) GHG emissions | 170, 65, 79 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 170, 65, 79 |
| | 305-4 GHG emissions intensity | 170 |
| **GRI 306: Waste 2020** | 306-1 Waste generation and significant waste-related impacts | 170 - 172 |
| | 306-2 Management of significant waste-related impacts | 170 - 172 |
| | 306-3 Waste generated | 170 - 172 |
| **GRI 401: Employment 2016** | 401-1 New employee hires and employee turnover | 122 - 137 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 122 - 137 |
| | 401-3 Parental leave | 122 - 137 |
| **GRI 403: Occupational Health and Safety 2018** | 403-1 Occupational health and safety management system | 71 |
| | 403-3 Occupational health services | 131 |
| | 403-5 Worker training on occupational health and safety | 71, 131 |
| | 403-6 Promotion of worker health | 71, 131 |
| **GRI 404: Training and Education 2016** | 404-1 Average hours of training per year per employee | 122 - 137 |
| | 404-2 Programmes for upgrading employee skills and transition assistance programmes | 122 - 137 |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 122 - 137 |
| **GRI 405: Diversity and Equal Opportunity 2016** | 405-1 Diversity of governance bodies and employees | 122 - 137 |
| | 405-2 Ratio of basic salary and remuneration of women to men | 122- 137 |
| **GRI 407: Freedom of Association and Collective Bargaining 2016** | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 122 - 137 |
| **GRI 408: Child Labour 2016** | 408-1 Operations and suppliers at significant risk for incidents of child labour | 156 |
| **GRI 409: Forced or Compulsory Labour 2016** | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour | 156 |
| **GRI 413: Local Communities 2016** | 413-1 Operations with local community engagement, impact assessments, and development programmes | 156 - 159 |
| **GRI 416: Customer Health and Safety 2016** | 416-1 Assessment of the health and safety impacts of product and service categories | 154 |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 154 |
| **GRI 418: Customer Privacy 2016** | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | 155 - 156 |

# Corporate Information

## NAME OF COMPANY

HNB Finance PLC
(Subsidiary of Hatton National Bank PLC)

## NATURE OF BUSINESS

Acceptance of Fixed Deposits and Savings Accounts, providing of Micro Finance Loans, Finance Leasing, Business Loans, Housing Loans, Gold Loans and other value-added services

## LEGAL FORM

A Public Limited Liability Company duly incorporated in Sri Lanka under the Companies Act No. 7 of 2007 listed on the Colombo Stock Exchange and a Licensed Finance Company regulated by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No.42 of 2011. The Company is registered under the Finance Leasing Act No. 56 of 2000 and also an approved Credit Agency as per Gazette Notification No.2102 dated 14th December 2018 issued by the Department of Commerce under the provisions of section 3 of the Mortgage Act.

## DATE OF INCORPORATION

20 December 1999

## TAX PAYER IDENTIFICATION NO.

134008555

## MEMBERSHIPS

- Lanka Microfinance Practitioners' Association
- The Finance House Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Sector Computer Security Incident Response Team
- International Chamber of Commerce
- The Employers' Federation of Ceylon
- Financial Ombudsman, Sri Lanka
- The Sri Lanka Institute of Directors

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

HNB Finance PLC
No. 168, Nawala Road, Nugegoda,
Sri Lanka.
Tel: +94 11 202 4848
Fax: +94 11 217 6263
Email: info@hnbfinance.lk
Website: www.hnbfinance.lk

## BRANCHES

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## COMPANY SECRETARY

Manjula Weerasuriya
HNB Finance PLC
No. 168, Nawala Road,
Nugegoda, Sri Lanka.
Tel: +94 11 212 7545
Fax: +94 11 217 6263
Email: manjula.we@hnbfinance.lk

## EXTERNAL AUDITORS

KPMG Sri Lanka
No. 32A,
Sir Mohamed Macan Markar Mawatha,
Colombo 03,
Sri Lanka.
Tel: +94 11 542 6426

## CREDIT RATING

A(lka) Outlook Stable by Fitch Ratings Lanka Limited.

## BANKERS

- Hatton National Bank PLC
- Seylan Bank PLC
- DFCC Bank PLC
- Bank of Ceylon
- Sampath Bank PLC
- People's Bank
- Nations Trust Bank PLC
- National Development Bank
- Cargills Bank Limited
- Commercial Bank of Ceylon PLC
- Union Bank of Colombo PLC

# Notice of Meeting

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of HNB Finance PLC (the Company) will be held as a fully Virtual Meeting on Tuesday, 30th day of June 2026 at 2.00 p.m. to conduct the following business:

**Agenda**

1. Notice of Meeting
2. To receive and consider the Report of the Board of Directors and the Statements of Accounts for the year ended 31 March 2026 together with the Report of the Auditors thereon.
3. To formally appoint as a Director, Ms Ramanika Gayatri Unamboowe, who was appointed to the Board on 4 June 2025 to fill a casual vacancy in terms of Article 27 of the Articles of Association of the Company.
4. To appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the Financial Year 2026/27 and authorise the Directors to determine their remuneration.
5. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year 2026/27.

**Annual Report 2025/26**
A QR Code containing the Annual Report information is forwarded herewith.

Corporate Website of HNB Finance PLC:
(https://www.hnbfinance.lk/about-us/annual-reports/)

Colombo Stock Exchange:

(https://www.cse.lk/company-profile?symbol=HNBF.N0000)

By order of the Board of Directors of
HNB FINANCE PLC

**Manjula Weerasuriya**
Company Secretary,
Colombo,
Sri Lanka.

5 June 2026

Manner of Holding the 16th Annual General Meeting:

1. The 16th Annual General Meeting (AGM) of HNB Finance PLC (the Company) is to be held by way of a fully Virtual Meeting in accordance with the Articles of Association of the Company, the prevailing laws and the guidelines issued by the Colombo Stock Exchange.

2. The Chairman, Board of Directors, Deputy Chief Executive Officer, Company Secretary and the representatives of the Company, and others essential for the administration of formalities of the Meeting will assemble at HNB Finance PLC Head Office, No. 168, Nawala Road, Nugegoda. All others, including Shareholders, will participate virtually, following the steps below;

   (a) All shareholders wishing to participate at the Virtual Meeting must forward the duly completed 'Registration Form' for the AGM (attached hereto) via post to the Company Secretary at the registered office of the Company or email to the Company Secretary (hnbf.agm@hnbfinance.lk) not later than 48 hours prior to the Meeting to enable the Company to share the login information.

   (b) All participating shareholders will have to pre-register themselves online prior to the commencement of the Meeting and will be authenticated to participate. As such all Shareholders must strictly ensure that the details provided in the 'Registration Form' shared with the Company Secretary and the online pre-registration must be the same.

3. Shareholders who participate the Meeting required to identify themselves, if they speak at the AGM during the time allotted for comments by Shareholders as directed by the Chairman. At that point, the individual will be required to give his/her name for the purpose of identification as a Shareholder or Proxy.

4. Shareholders are also given the opportunity to forward their queries via post to the Company Secretary at the registered office of the Company or email to the Company Secretary (hnbf.agm@hnbfinance.lk) 48 hours prior to the meeting and your concerns will be addressed as deemed appropriate by the Chairman.

5. Shareholders are encouraged to opt to duly complete the Form of Proxy clearly setting out their preference of vote for the Resolution set out in the form of Proxy and to appoint one of the Directors of the Company to act on their behalf in order that in the event a Shareholder cannot participate at the Meeting, such Shareholder's vote may be identified and recorded as if such shareholders were present at the Meeting.

   The duly completed Form of Proxy must reach the Company Secretary (in accordance with the instructions specified therein), not less than forty-eight (48) hours prior to the time appointed for the holding of the Meeting so that your proxy could represent you at the AGM and exercise your vote in accordance with your directions.

   **As this meeting will be a fully "Virtual Meeting" and for the Company's administrative convenience, the Company would very much appreciate and requests all Shareholders to send in their Proxy Forms along with their "Registration Form" to reach the Company, not later than 48 hours prior to the Meeting as this would enable the Company to efficiently make all arrangements for the Virtual Meeting.**

6. The Company intends to proceed to hold the Virtual Meeting as planned despite any prevailing situation in the Country. As such in the event any further communications are to be made to the Shareholders of the Company, the same will be made via the Colombo Stock Exchange website (www.cse.lk) and/or the Company website https://www.hnbfinance.lk/.

7. Contact Company Secretary Department via +94 11 212 7545 by the Shareholders participating at the Virtual Meeting to address any technical difficulties faced in accessing/ participating at the Meeting.

**Login details are authorised only for the use by Individual Shareholders/Proxy holders and authorised representatives in the case of corporate/institutional shareholders. The Company will not be responsible or liable for the misuse of login details and access granted to the Meeting.*

By Order of the Board
HNB FINANCE PLC



**Manjula Weerasuriya**
Company Secretary
5 June 2026

# Notes

# Form of Proxy

## (Voting Shareholders)

HNB FINANCE PLC

I/We* .....

(please indicate full name of the Shareholder/Company/Society) holder of NIC No./Company Registration No./Society Registration No. ..... of .....

..... being a shareholder/*shareholders of HNB Finance PLC, hereby appoint Mr/Ms.....

(please indicate full name) holder of NIC No..... of .....

..... or failing him/her

| | |
|---|---|
| Chairman, Mr A G R Dissanayake | of Colombo or failing him |
| Senior Director, Mr P L P Withana | of Colombo or failing him |
| Managing Director/CEO, Mr B M D C Prabath | of Colombo or failing him |
| Director, Mr M S Polamarasetty | of the United Kingdom or failing him |
| Director, Mr B Premalal | of Colombo or failing him |
| Director, Mr P A W Perera | of Colombo or failing him |
| Director, Dr T K D A P Samarasinghe | of Colombo or failing him |
| Director, Ms R G Unamboowe | of Colombo |

as my/*our Proxy to represent me/*us and to vote as indicated below on my/*our behalf at the 16th Annual General Meeting of HNB Finance PLC (the "Company") to be held as a fully Virtual Meeting on Tuesday, 30 June 2026 at 2.00 P.M. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

Please indicate your preference by placing "X" against the Resolutions.

| | FOR | AGAINST |
|---|---|---|
| (1) To receive and consider the Report of the Board of Directors and the Statements of Accounts for the year ended 31 March 2026 together with the Report of the Auditors thereon. | | |
| (2) To formally appoint Ms. Ramanika Gayatri Unamboowe as a Director of the Company, who was initially appointed to the Board on 4 June 2025 to fill a casual vacancy in terms of Article 27 of the Articles of Association of the Company. | | |
| (3) To appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company for the Financial Year 2026/27 and authorise the Directors to determine their remuneration. | | |
| (4) To authorise the Board of Directors to determine contributions to charities and other donations for the financial year 2026/27. | | |

As witness my/our hand set hereto this ..... day of ..... Two Thousand and Twenty Six.

Signature/s:.....

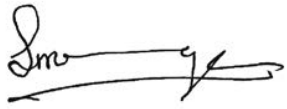
*Note: Instructions as to completion are given below. Please delete the words which are not applicable and mark 'X' in the appropriate cages to indicate your instructions as to voting.*

*A proxy need not be a shareholder of the Company.*

## Form of Proxy
(Voting Shareholders)

**INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, NIC No, address, instructions as to voting and by signing and filling in the date of signature in the space provided.
2. Please indicate with a "X" in the cages provided how your proxy is to vote on the Resolutions. If no indication is given, the Proxy in his/her discretion may vote as he/she thinks fit.
3. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, No. 168, Nawala Road, Nugegoda, or sent to hnbf.agm@hnbfinance.lk not less than 48 hours before the time appointed for holding the AGM.
4. If the Shareholder is a Company or a body corporate, a form of Corporate Representation executed under the Common Seal (if any) in accordance with the Articles of Association or the Constitution should be submitted.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
6. In the case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.



The Company Secretary,
**HNB Finance PLC,**
No. 168, Nawala Road,
Nugegoda

# Form of Proxy

## (Non-Voting Shareholders)

HNB FINANCE PLC

I/We* .....

(please indicate full name of the Shareholder/Company/Society) holder of NIC No./Company Registration No./Society Registration No. ..... of ..... being a shareholder/*shareholders of HNB Finance PLC, hereby appoint Mr/Ms.....

(please indicate full name) holder of NIC No..... of ..... or failing him/her

| | |
|---|---|
| Chairman, Mr A G R Dissanayake | of Colombo or failing him |
| Senior Director, Mr P L P Withana | of Colombo or failing him |
| Managing Director/CEO, Mr B M D C Prabath | of Colombo or failing him |
| Director, Mr M S Polamarasetty | of the United Kingdom or failing him |
| Director, Mr B Premalal | of Colombo or failing him |
| Director, Mr P A W Perera | of Colombo or failing him |
| Director, Dr T K D A P Samarasinghe | of Colombo or failing him |
| Director, Ms R G Unamboowe | of Colombo |

as my/*our Proxy to represent me/*us at the 16th Annual General Meeting of HNB Finance PLC (the "Company") to be held as a fully Virtual Meeting on Tuesday, 30 June 2026 at 2.00 P.M. and at any adjournment thereof.

As witness my/our hand set hereto this ..... day of .....Two Thousand and Twenty Six.

Signature/s:.....

*Note: Instructions as to completion are given below. Please delete the words which are not applicable.*

*A proxy need not be a shareholder of the Company.*

## Form of Proxy
(Non-Voting Shareholders)

**INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY**

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The Company Secretary,
**HNB Finance PLC,**
No. 168, Nawala Road,
Nugegoda

HNB FINANCE

No.168, Nawala Road,
Nugegoda,
Sri Lanka.

www.hnbfinance.lk

