MERCHANT BANK OF SRI LANKA & FINANCE PLC

FINANCIAL STATEMENTS

31 DECEMBER 2025

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය
எனது இல.
My No. BAN/H/BOC-S/MBSL/FA/2025/06

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 27 March 2026

Chairman
Merchant Bank of Sri Lanka and Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Merchant Bank of Sri Lanka and Finance PLC and its subsidiary for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018, as amended.

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Merchant Bank of Sri Lanka and Finance PLC (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

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

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key Audit Matter	How my audit addressed the key audit matter
Expected Credit Losses of Loans and Advances measured at amortized cost. Expected credit losses of loans and advances measured at amortized cost as disclosed in note 23 is determined by management based on accounting policies described in Note 3.5.11 to the financial statements. This was a key audit matter due to • the significant management judgements, assumptions and estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, use of a broad range of forward looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements is disclosed in Notes 3.5.11.	In addressing the allowances for expected credit losses of loan and advances measured at amortised cost, my audit procedures included the following key procedures: • Assessed the alignment of the Company's allowances for expected credit loss computations with the underlying methodology and related accounting policies, based on the best available information up to date of my report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications. • In addition to the above, the following procedures were performed:

➢ **For loans and advances assessed on an individual basis for impairment:**

- Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of collaterals.

- Tested the arithmetical accuracy of the underlying individual impairment calculations.

➢ **For loans and advances assessed on a collective basis for impairment:**

- Tested the key inputs and the calculations used in the allowances for expected credit losses.

- Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology including any considerations by Management relating to overlays to the ECL allowance.

- My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.

Assessed the adequacy of the related financial statement disclosures set out in notes 3.5.11, 23 and 48.2.

Information Technology (IT) systems related internal controls over financial reporting

Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems that are compiled and formulated with the use of spreadsheets.

Accordingly, IT systems and related internal controls over financial reporting were identified as a key audit matter.

My audit procedures included the following key procedures:

- Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.

- Involved my internal specialized resources and;
  - Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and

- Obtained a high-level understanding of the cyber security risks affecting the Company and the actions taken to address these risks primarily through inquiry.

- Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

1.4 Other information included in the Group's 2025 Annual Report.

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report .Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and the Group.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. I remain solely responsible for my audit opinion

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

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

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

L.S.I.Jayaratna
Auditor General

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Company Change %	Group 2025 Rs.'000	Group 2024 Rs.'000	Group Change %
Income	4	7,904,903	7,582,723	4.2	8,347,842	8,289,222	0.7
Interest and similar income		7,243,533	6,207,886	16.7	7,442,102	6,467,481	15.1
Interest and similar expenses		(4,273,983)	(4,021,096)	6.3	(4,265,020)	(4,003,227)	6.5
Net interest income	5	2,969,550	2,186,790	35.8	3,177,082	2,464,254	28.9
Fee and commission income		233,879	211,880	10.4	257,546	236,802	8.8
Fee and commission expenses		(94,055)	(43,332)	117.1	(87,956)	(49,503)	77.7
Net fee and commission income	6	139,824	168,548	(17.0)	169,590	187,299	(9.5)
Insurance premium income	7	-	-	-	272,462	408,020	(33.2)
Net claims and benefits	8	-	-	-	(461,864)	(327,442)	41.1
Net trading income	9	782,290	804,725	(2.8)	782,354	804,762	(2.8)
Net gain/(loss) on financial instruments at fair value through profit or loss	10	(586,908)	257,327	(328.1)	(581,041)	261,789	(322.0)
Other operating income	11	232,109	100,905	130.0	174,419	110,368	58.0
Total operating income		3,536,865	3,518,295	0.5	3,533,002	3,909,050	(9.6)
Allowance for impairment losses reversal/(charge) for loans and other assets	12	111,515	46,193	141.4	111,515	46,193	141.4
Net operating income		3,648,380	3,564,488	2.4	3,644,517	3,955,243	(7.9)
Personnel expenses	13	(1,500,408)	(1,400,614)	7.1	(1,648,408)	(1,579,464)	4.4
Depreciation and amortisation	14	(295,628)	(291,078)	1.6	(331,150)	(327,722)	1.0
Other operating expenses	15	(906,190)	(1,029,665)	(12.0)	(1,066,167)	(1,192,608)	(10.6)
Total operating expenses		(2,702,226)	(2,721,357)	(0.7)	(3,045,725)	(3,099,794)	(1.7)
Operating profit/(loss) before VAT on financial services and impairment of investment in group companies		946,154	843,131	12.2	598,792	855,449	(30.0)
Impairment reversal/(charge) of investment in subsidiary	28	(29,693)	(4,435)	569.5	-	-	-
Profit/(loss) from operations after impairment of		916,461	838,696	9.3	598,792	855,449	(30.0)
Taxes on financial services	16.1	(405,504)	(392,787)	3.2	(405,504)	(392,787)	3.2
Share of associate company's profit/(loss) before tax	27.1	-	-	-	108,649	13,232	721.1
Profit/(loss) before income tax		510,957	445,909	14.6	301,937	475,894	(36.6)
Income tax (expense)/reversal	16.2	(245,436)	(205,455)	19.5	(281,356)	(210,248)	33.8
Profit/(loss) for the year		265,522	240,454	10.4	20,581	265,646	(92.3)
Profit/(loss) for the year attributable to:							
Equity holders of the parent		265,522	240,454	10.4	148,540	260,338	(42.9)
Non-controlling interests		-	-	-	(127,959)	5,308	(2,510.6)
Profit/(loss) for the year		265,522	240,454	10.4	20,581	265,646	(92.3)
Earnings per share:							
Basic/diluted earning per share (Rs.)	17	0.51	0.46	10.4	0.28	0.50	(42.9)

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 115 form an integral part of the Financial Statements.

Merchant Bank of Sri Lanka & Finance PLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Company Change %	Group 2025 Rs.'000	Group 2024 Rs.'000	Group Change %
Profit/(loss) for the year		265,522	240,454	10.4	20,581	265,646	(92.3)
Other comprehensive income/(expenses)							
Other comprehensive income to be reclassified to profit or							
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income		13,004	2,750	372.9	15,704	5,738	173.7
Net other comprehensive income/(expenses) to be		13,004	2,750	372.9	15,704	5,738	173.7
Other comprehensive income not to be reclassified to							
Actuarial gains/(losses) on defined benefit plans	40	(37,644)	(45,492)	(17.3)	(36,749)	(45,594)	(19.4)
Share of associates company's other comprehensive income	27.1	-	-	-	989	-	-
Deferred tax effect relating to components of other comprehensive income	38.1	11,293	13,648	(17.3)	11,293	13,648	(17.3)
Net other comprehensive income/(expenses) not to be		(26,351)	(31,844)	(17.3)	(24,467)	(31,946)	(23.4)
Other comprehensive income/(expenses) for the year, net		**(13,347)**	**(29,094)**	**(54.1)**	**(8,763)**	**(26,208)**	**(66.6)**
Total comprehensive income/(expenses) for the year, net		**252,175**	**211,360**	**19.3**	**11,818**	**239,438**	**(95.1)**
Total comprehensive income/(expenses) attributable to:							
Equity holders of the parent		252,175	211,360	19.3	138,116	232,796	(40.7)
Non controlling interests		-	-	-	(126,298)	6,642	(2,001.5)
Total comprehensive income/(expenses) for the year, net		**252,175**	**211,360**	**19.3**	**11,818**	**239,438**	**(95.1)**

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 115 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Company Change %	Group 2025 Rs.'000	Group 2024 Rs.'000	Group Change %
Assets							
Cash and cash equivalents	20	618,703	752,190	(17.7)	891,554	854,028	4.4
Placements with banks & financial institutions	21	-	203,332	(100.0)	452,254	644,044	(29.8)
Financial investments at fair value through profit or loss	22	7,634,038	8,534,914	(10.6)	7,652,964	8,547,974	(10.5)
Loans & receivables at amortised cost	23	39,585,583	25,942,008	52.6	39,586,838	25,946,502	52.6
Financial investments at fair value through other comprehensive income	24	54	16,554	(99.7)	126,834	135,058	(6.1)
Financial investments at amortised cost	25	4,425,177	3,473,969	27.4	5,051,559	4,498,689	12.3
Real estate stock	26	26,029	40,446	(35.6)	26,029	40,446	(35.6)
Investment in associate company	27	81,084	81,084	-	177,966	178,169	(0.1)
Investment in subsidiary	28	318,568	348,261	(8.5)	-	-	-
Investment properties	29	-	-	-	-	-	-
Property, equipment and right-of-use assets	30	1,080,743	467,355	131.2	1,139,639	542,233	110.2
Intangible assets	31	38,374	61,329	(37.4)	40,147	64,097	(37.4)
Deferred tax assets	38	130,134	91,893	41.6	130,830	100,473	30.2
Other assets	32	449,308	186,673	140.7	884,192	520,495	69.9
Total assets		**54,387,795**	**40,200,008**	**35.3**	**56,160,806**	**42,072,208**	**33.5**
Liabilities							
Due to banks	33	14,889,904	8,144,088	82.8	14,894,488	8,144,088	82.9
Due to customers at amortised cost	34	31,792,758	25,956,175	22.5	31,620,482	25,739,758	22.8
Debt issued and borrowed funds at amortised cost	35	1,821,393	730,033	149.5	1,821,393	730,033	149.5
Insurance contract liabilities-life	36.1	-	-	-	539,669	454,704	18.7
Insurance contract liabilities-non life	36.2	-	-	-	572,437	397,423	44.0
Current tax liabilities	37	166,186	209,437	(20.7)	166,186	209,437	(20.7)
Other liabilities	39	1,159,257	895,070	29.5	1,543,426	1,407,777	9.6
Retirement benefits obligations	40	424,091	383,174	10.7	434,666	394,127	10.3
Total liabilities		**50,253,589**	**36,317,977**	**38.4**	**51,592,747**	**37,477,347**	**37.7**
Equity							
Stated capital	41	4,276,448	4,276,448	0.0	4,276,448	4,276,448	-
Statutory reserves	42.1	450,501	392,265	14.8	450,501	392,265	14.8
Retained earnings	42.2	(1,011,105)	(1,189,204)	(15.0)	(885,779)	(940,832)	(5.9)
RLA reserve	42.3	418,362	424,622	(1.5)	418,362	424,622	(1.5)
RR reserve	42.4	-	-	-	-	35,443	(100.0)
OCI reserve	42.5	-	(22,100)	(100.0)	5,736	(22,206)	125.8
Total equity attributable to equity holders of the parent		4,134,206	3,882,031	6.5	4,265,268	4,165,740	2.4
Non controlling interests		-	-	-	302,791	429,121	(29.4)
Total equity		**4,134,206**	**3,882,031**	**6.5**	**4,568,059**	**4,594,861**	**(0.6)**
Total liabilities and equity		**54,387,795**	**40,200,008**	**35.3**	**56,160,806**	**42,072,208**	**33.5**
Commitments and contingent liabilities	47.	61,624	48,858	26.1	105,791	56,665	86.7
Net assets value per share (Rs.)		7.88	7.40	6.5	8.13	7.94	2.4

These Financial Statements have been prepared in compliance with the requirements of the companies act no. 7 of 2007.

A. C. P. Ekanayake
Chief Financial Officer

H. K. D. W. M. D. K. Hapuhinna
Chief Executive Officer

The board of directors is responsible for these Financial Statements. Approved and signed for and on behalf of the board by:

H. P. K. Silva
Director

G. A. Jayashantha
Director

Figures in brackets indicate deductions.
The accounting policies and the notes on pages 12 to 115 form an integral part of the Financial Statements.

27 March 2026
Colombo

Merchant Bank of Sri Lanka & Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

Company	Stated capital Rs.'000	Statutory reserves Rs.'000	RLA reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
Balance as at 01 January 2024	4,276,448	344,174	371,590	(31,892)	(1,289,648)	3,670,672
Net profit/(loss) for the year	-	-	-	-	240,454	240,454
Other comprehensive income, net of tax	-	-	-	2,750	(31,845)	(29,095)
Transfer to retain earnings	-	-	-	7,042	(7,042)	-
Transfers to regulatory loss allowance reserve	-	-	53,032	-	(53,032)	-
Transfers to statutory reserve fund	-	48,091	-	-	(48,091)	-
Balance as at 31 December 2024	**4,276,448**	**392,265**	**424,622**	**(22,100)**	**(1,189,204)**	**3,882,031**
Balance as at 01 January 2025	4,276,448	392,265	424,622	(22,100)	(1,189,204)	3,882,031
Net profit/(loss) for the year	-	-	-	-	265,522	265,522
Other comprehensive income, net of tax	-	-	-	13,004	(26,351)	(13,347)
Transfer to retain earnings	-	-	-	9,096	(9,096)	-
Transfers to regulatory loss allowance reserve	-	-	(6,260)	-	6,260	-
Transfers to statutory reserve fund	-	58,236	-	-	(58,236)	-
Balance as at 31 December 2025	**4,276,448**	**450,501**	**418,362**	**-**	**(1,011,105)**	**4,134,206**

Group	Stated capital Rs.'000	RR Reserve Rs.'000	Statutory reserves Rs.'000	RLA reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Non controlling interests Rs.'000	Total equity Rs.'000
Balance as at 01 January 2024	4,276,448	-	344,174	371,590	(33,607)	(1,042,034)	438,852	4,355,423
Net profit/(loss) for the year	-	-	-	-	-	260,338	5,308	265,646
Other comprehensive income, net of tax	-	-	-	-	4,359	(31,899)	1,332	(26,208)
Transfer to retain earnings	-	-	-	-	7,042	(7,042)	-	-
Transferred to Policy holder fund on one off surplus		35,443				(19,072)	(16,371)	-
Transfers to regulatory loss allowance reserve	-	-	-	53,032	-	(53,032)	-	-
Transfers to statutory reserve fund	-	-	48,091	-	-	(48,091)	-	-
Balance as at 31 December 2024	**4,276,448**	**35,443**	**392,265**	**424,622**	**(22,206)**	**(940,832)**	**429,121**	**4,594,861**
Balance as at 01 January 2025	4,276,448	35,443	392,265	424,622	(22,206)	(940,832)	429,121	4,594,861
Net profit/(loss) for the year	-	-	-	-	-	148,540	(127,959)	20,581
Other comprehensive income, net of tax	-	-	-	-	14,456	(24,881)	1,661	(8,764)
Transfer to retain earnings	-	-	-	-	9,096	(9,096)	-	-
Transferred to Policy holder fund on one off surplus	-	(35,443)	-	-	-	-	-	(35,443)
Transfers to regulatory loss allowance reserve	-	-	-	(6,260)	-	6,260	-	-
Transfers to statutory reserve fund	-	-	58,236	-	-	(58,236)	-	-
Prior year adjustment made to OCI Reserve	-	-	-	-	4,390	(7,534)	(32)	(3,176)
Balance as at 31 December 2025	**4,276,448**	**-**	**450,501**	**418,362**	**5,736**	**(885,779)**	**302,791**	**4,568,059**

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 115 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

Accounting Policy

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flow in accordance with the Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the statement of cash flows is comprised of those items as explained in Note 20

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cash flows from operating activities					
Profit/(loss) before income tax		510,957	445,909	301,937	475,894
Adjustments for :					
Net Interest Income	5	(2,969,550)	(2,186,790)	(3,177,083)	(2,464,254)
WHT movement for the year	37.1	(7,225)	(6,674)	(7,225)	(6,674)
Impairment charges for loans and other losses	12	(111,515)	(46,193)	(111,515)	(46,193)
Impairment (reversal)/charge of investment in subsidiary	28	29,693	4,435	-	-
Share of associate company's profit/(loss) before tax	27.1	-	-	(108,649)	(13,232)
Depreciation and amortisation	14	295,628	291,078	331,150	327,722
Profit from sales of real estate		(3,163)	(5,126)	(3,163)	(5,126)
Profit from sales of property & equipment		(50,784)	(7,893)	(50,784)	(7,893)
Dividend income from associates		(73,650)	-	-	-
Dividend income from financial assets at FVTPL		(1,734)	(10,914)	(1,798)	(10,951)
Contribution to defined benefit plans	40	72,622	73,878	74,921	76,931
Fair value change of financial assets	10	586,908	(257,327)	584,637	(258,939)
		(1,721,813)	**(1,705,616)**	**(2,167,572)**	**(1,932,715)**
Interest paid to customers at amortised cost		(2,728,225)	(3,587,723)	(2,728,225)	(3,587,723)
Interest paid on other borrowings		(1,006,415)	(627,693)	(1,015,792)	(639,310)
Interest received on loans & receivables at amortised cost		5,951,168	4,417,787	5,951,168	4,417,787
Interest received on other investment		1,166,572	2,055,740	1,383,482	2,344,821
Gratuity paid	40	(69,349)	(90,564)	(70,244)	(95,102)
Change in operating assets					
Loans & receivables at amortised cost		(13,399,283)	(6,815,623)	(13,396,044)	(6,814,870)
Other operating assets		(979,979)	(122,940)	(1,018,007)	(117,091)
Change in operating liabilities					
Due to customers at amortised cost		5,459,410	758,762	5,459,410	758,762
Insurance provision		-	-	224,536	(212,631)
Other liabilities		427,287	219,812	331,949	220,136
Net cash generated from/(used in) operating activities before income tax		**(6,900,627)**	**(5,498,059)**	**(7,045,339)**	**(5,657,936)**
Tax paid		(297,361)	(42,693)	(297,361)	(42,693)
Net cash generated from/(used in) operating activities		**(7,197,988)**	**(5,540,752)**	**(7,342,700)**	**(5,700,629)**
Cash flows from investing activities					
Net increase/(decrease) in financial investments at FVTOCI		(826,479)	160,245	(436,418)	698,144
Proceeds from real estate stock		17,581	22,839	17,581	22,839
Net (increase)/decrease in placements with banks & financial institutions		150,000	350,000	182,600	(37,645)
Net (increase)/decrease in investment of government securities at FVTPL		327,173	(401,113)	327,173	(401,113)
Net (increase)/decrease in other financial investments at FVTPL		(70,250)	205,019	(70,250)	205,019
Purchase of property & equipment	30.1	(160,265)	(48,759)	(163,012)	(49,009)
Purchase of intangible assets	31.2	(9,839)	(35,407)	(10,044)	(36,812)
Proceeds from sale of property & equipment		50,837	8,180	50,837	8,180
Dividends received		75,384	10,914	1,798	10,951
Net cash used in investing activities		**(445,858)**	**271,918**	**(99,735)**	**420,554**
Cash flows from financing activities					
Net increase/(decrease) reverse repo and repo agreements		4,152,795	2,400,000	4,152,795	2,400,000
Net increase/(decrease) in other borrowings at amortised cost		2,961,000	2,965,000	2,961,000	2,965,000
Payments made under operating leases	39.1	(235,035)	(225,602)	(270,017)	(260,218)
Net cash used in financing activities		**6,878,760**	**5,139,398**	**6,843,778**	**5,104,782**
Net decrease in cash and cash equivalents during the year		(765,086)	(129,436)	(598,657)	(175,293)
Cash and cash equivalents at the beginning of year		554,066	683,502	655,904	831,197
Cash and cash equivalents at the end of year		**(211,020)**	**554,066**	**57,247**	**655,904**
Analysis of cash and cash equivalents at the end of the year					
Cash and short-term funds	20	618,703	752,190	891,554	854,028
Dues to banks	33.1	(829,723)	(198,124)	(834,307)	(198,124)
		(211,020)	**554,066**	**57,247**	**655,904**

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 115 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

This section gives a description of the reporting entity, the principal activities of the Company and the Group entity and the identification of Financial Statements and its authorization.

1.1 Reporting Entity

Merchant Bank of Sri Lanka & Finance PLC (MBSL) is a public quoted company incorporated in 1982 and domiciled in Sri Lanka. It is registered under the provisions of the Finance Business Act No.42 of 2011.The ordinary shares of the Company are listed in the Colombo Stock Exchange. The Company was re-registered under the Companies Act No.07 of 2007. The Company changed its name as Merchant Bank of Sri Lanka & Finance PLC with effect from November 21, 2014 and it was formerly known as Merchant Bank of Sri Lanka PLC. MBSL Savings Bank Limited and MCSL Financial Services Limited were amalgamated with Merchant Bank of Sri Lanka & Finance PLC on 01 January 2015. Consequent to the amalgamation Merchant Bank of Sri Lanka & Finance PLC remains as the surviving entity. The registered office of the Company is located at the Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03.

Number of Employees
The staff strength of the Company and the Group as at 31 December 2025 were 900 and 1,029 respectively. (870 and 1042 as at 31 December 2024)

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Merchant Bank of Sri Lanka & Finance PLC for the year ended 31 December 2025, comprise the Company and its subsidiary (together referred to as the 'Group'), and the Group's interest in its associate company.

Parent Entity & Ultimate Parent Entity
In the opinion of the Directors, the Company's parent entity and its ultimate parent entity is Bank of Ceylon.

1.3 Group Information

Ownership by the Company in its Subsidiary and Associate.



Principal Activities and Nature of Operations

Entity	Principal business activities
Company	
Merchant Bank of Sri Lanka & Finance PLC	Leasing, corporate and retail credit, margin trading, micro financing, agricultural credit facilities, real estate, gold loan, corporate advisory services, capital market operations and accepting of savings and fixed deposits.
Subsidiary	
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance.
Associate	
Lanka Securities (Pvt) Limited	Registered stock broker which engages in equity trading, debt trading and margin trading.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 December 2025 (including comparatives) were approved and authorized for issue on 27 March 2026 in accordance with the resolution of the Board of Directors on 27 March 2026.

2. BASIS OF PREPARATION

This section provides the basis of preparation and presentation of Financial Statements including significant accounting policies and application of Sri Lanka Accounting Standards and other related statutory requirements.

2.1 Basis of Preparation and Other Significant Accounting Policies

Summary of significant accounting policies, significant accounting judgements , estimates and assumptions used, other general accounting policies and Sri Lanka Financial Reporting Standards (SLFRS) not yet adopted are provided in this section.

All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective notes.

2.2 Statement of Compliance

The consolidated Financial Statements of the Group and the Separate Financial Statements of the Company, as at 31 December 2025 and for the year ended, have been prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No.42 of 2011, Regulation of Insurance Industry Act No.43 of 2000 and the Listing Rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

- Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review
- The Statement of Financial Position providing the information on the financial position of the Company and the Group as at year end
- The Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group
- The Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- Notes to the Financial Statements comprising accounting policies and other explanatory information

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility in relation to the Financial Statements, as set out in the 'Statement of Directors' Responsibility for Financial Reporting', 'Annual Report of the Board of Directors on the Affairs of the Company' and in the certification on the Statement of Financial Position.

2.4 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on accrual basis under historical cost convention and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements except for the following material items in the Statement of Financial Position and Statement of Comprehensive Income.

Item	Basis of measurement	Note no./s
Financial investments at fair value through profit or loss	Fair value	22
Financial investments at fair value through other comprehensive income (Financial Investments-OCI)	Fair value	24
Retirement benefits obligations	Retirement benefits obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date.	40
Freehold land and buildings and buildings on leasehold lands are measured at	Cost less any subsequent accumulated depreciation and impairment losses.	29,30

2.5 Functional and Presentation Currency

The Financial Statements of the Company and the Group are presented in Sri Lankan Rupees, which is the currency of the economic environment in which the Company and the Group operates.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. The accounting principles are applied consistently other than where specially disclosed with due regard to prudence, materiality and substance over form criteria as explained in Sri Lanka Accounting Standard LKAS 01 - 'Presentation of Financial Statements'. Where appropriate, the accounting policies are disclosed in the succeeding notes.

2.7 Use of Materiality, Offsetting and Rounding

Materiality & Aggregation
Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 01 - 'Presentation of Financial Statements'.

Offsetting
Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

Rounding
The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, (Rs.'000) except where otherwise indicated Sri Lanka Accounting Standards - LKAS 01 - 'Presentation of Financial Statements'.

2.8 Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the relevant notes as follows.

- Impairment losses on non-financial assets - Note No. 28
- Deferred tax liabilities - Note No. 38
- Provision for impairment of loans and receivables - Note No. 23
- Retirement benefits obligation - Note No. 40
- Provision and contingent liabilities - Note No. 47.

2.8.1 Going Concern

The Company has recorded a profit of Rs. 265,522 Mn during the year. Based on the strategies/actions taken by the Group, the Directors have assessed the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8.2 Events After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date on which the Financial Statements are authorized for issue.

2.9 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The Consolidated Financial Statements for the year ended 31 December 2025 comprise the Financial Statements of the Company (Parent Company) and its subsidiary (together referred to as the 'Group') and the Company's interest in associate company as per the requirements of Sri Lanka Financial Reporting Standard - SLFRS 10 - 'Consolidated Financial Statements' and Sri Lanka Accounting Standard LKAS 27 - "Consolidated and Separate Financial Statements" and the proportionate share of the profit or loss and net assets of it's Associates as per the requirements of Sri Lanka Accounting Standard - LKAS 28 - 'Investment in Associates and Joint Ventures'. The Financial Statements of all companies in the Group have common financial year which ends on 31 December, and use consistent accounting policies.

Intra-group balances and transactions, income and expenses and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as per requirements of Sri Lanka Financial Reporting Standard - SLFRS 03 - 'Business Combinations'.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquire, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

3.3 Common Control Business Combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka.

Accordingly,

- The net assets of the combining entities are consolidated using the existing book values.
- No amount is recognised as goodwill which arise as a result of difference between the consideration and net assets acquired.
- Comparative amounts in the Financial Statements are restated as if the companies had been combined at the previous financial position date.

3.3.1 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3.3.2 Transactions Eliminated on Consolidations

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.4 Foreign Currency

3.4.1 Foreign Currency Transactions and Balances

All foreign exchange transactions are converted to functional currency which is Sri Lankan Rupees (Rs.), at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are re-translated to the functional currency equivalents at the spot exchange rate prevailing at the financial position date.

The gains or losses arising on translation of monetary items are recognised in the Statement of Profit or Loss.

3.5 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.5.1 Date of Recognition

Financial assets and financial liabilities are initially recognised when a Group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- Name or labels given to the instruments
- Presence or absence of a fixed maturity date
- Life of the instrument
- Source of payments
- Right to enforce payments
- Rights to participate in management
- Risk involved in the instruments
- Volatility of cash flows
- Securities given as collaterals

3.5.2 Effective Interest Method (EIR)

The effective interest method (EIR) is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial instruments other than those financial assets classified as fair value through profit or loss.

3.5.3 Financial Investments at Fair Value Through Profit or Loss (FVTPL)

Details of “Financial investments at fair value through profit or loss (FVTPL)” are given in Note No. 22

3.5.4 Loans & Receivables at Amortised Cost

Details of “Loans & receivables at amortised cost” are given in Note No. 23

3.5.5 Financial Investments at Amortised Cost

Details of “Financial investments at amortised cost” are given in Note No. 25

3.5.6 Financial Investments at Fair Value Through Other Comprehensive Income (FVTOCI)

Details of “Financial investments at fair value through other comprehensive income” are given in Note No. 24

3.5.7 Classification & Subsequent Measurement of Financial Liabilities

At the inception financial liabilities are classified in to one of the following categories:

- Financial liabilities designated at fair value through profit or loss
- Financial liabilities at amortised cost
- Due to customers at amortised cost
- Debt issued and borrowed funds at amortised cost

The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.5.7.1 Financial Liabilities Designated at Fair Value Through Profit or Loss

Financial liabilities classified in this category are those that have been designated by the management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition and designation is determined on an instrument by instrument basis.

Financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Interest arose is accrued in 'Interest expense', using the EIR.

3.5.7.2 Financial Liabilities at Amortised Cost

Financial instruments issued by the Company and the Group that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost.

After the initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method as a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period.

3.5.8 Initial Measurements of Financial Instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

3.5.9 Business Model Assessment

Company and the Group determines it's business model at the level that best reflects how it manages the financial assets to achieve it's objectives. The Company's and the Group's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as :

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the Group's key Management personnel.
- The risks that affects the performance of the business model (and the financial asset held within that business model) and, in particular, the way those are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected).
- The expected frequency, value and timing of sales are also important aspect of Company and Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'Worst Case' or 'Stress Case' scenarios in to account. If cash flows after initial recognition are realized in away that is different from the Company's and the Group's original expectation, the Company and the Group do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

3.5.10 Contractual Cash Flow Characteristic Test

As the second test of the classification process the Company and the Group assess the contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle & Interest (SPPI).

Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Company and the Group applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than demonisms exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely the payment of principle and interest on the amount outstanding. In such cases the financial asset is required to be measured at FVTPL.

3.5.11 Impairment of Financial Assets

3.5.11.1 Overview of Expected Credit Loss Principle (ECL)

ECL allowance is based on credit losses expected to arise over the life of the asset (Lifetime Expected Credit Loss or 'LTECL'), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12-month expected credit loss (12mECL).

12mECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within 12-months.

The Company has established a policy to perform an assessment, at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition. Based on such process Company groups loans in to stage 1, stage 2, stage 3 as described below :

- Stage 1 : When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include the facilities where the credit risk has improved and the loans has been re-classified from Stage 2. Assessment of Stage 1 will be performed collectively.
- Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3. Assessment of stage 3 will be performed collectively.
- Stage 3 : Loan considered to be credit Impaired/contains objective evidence of incurred losses records an allowance for the LTECL. Stage 3 assessment will be performed Individual/Collectively.

The Group’s expectations of economic impacts, key assumptions used in the Group’s calculation of ECL have been revised.

The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.5.11.6, while the impact on changing the weightages of different macro- economic scenarios during the year are given in Note 48.2.1.

3.5.11.2 Significant Increase in Credit Risk

The Company continuously monitors all assets subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assess whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the either of the following criteria are met :

- Facilities exceeding 30 days past due
- Counterparties/facilities reflected coded any elevated risk industries as per the assessment performed by the Credit Risk Management Team.
- Re-structured facilities
- Secondary qualitative indicators triggering a significant increase in credit risk for an asset, such as moving a customer/facility to watch list.

3.5.11.3 Individually Significant Assessment and Not Impaired Individually

Individual assessment will be performed for all the customers with objective evidence of incurred losses (under stage 3). Loans which are individually significant but not impaired will be assessed collectively for impairment either under stage 1 or stage 2 based on the criteria whether there have been significant credit deterioration since origination.

While establishing significant credit deterioration the Company will consider the following criteria :

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- Other Information related to the borrower, such as changes in the price of a borrower’s debt/equity instrument.
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioral score used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic condition that are expected to cause significant change in the borrower’s ability to meet it’s obligation.
- An actual or expected significant change in the operating results of the borrower in relating to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing, liquidity management problems.
- Significant increase in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower’s ability to meet the debt obligation.

3.5.11.4 In anticipation of the potential adverse economic impacts arising from Cyclone Dithwa, the Economic Factor Adjustment (EFA) has been revised to reflect the expected deterioration in key macroeconomic indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.5.11.4 Grouping Financial Assets Measured on a Collective Basis

As explained above, the Company calculates ECL either on collective or individual basis. Asset classes where the Company calculates ECL on an individual basis includes all individually significant assets which are belong to stage 3. All assets which belong stage 1 & 2 will be assessed collectively for impairment.

The Company groups these exposures for smaller homogenous exposures, based on a combination of internal and external characteristics of the loan as described below :

- Product Type
- Type of Collateral
- Days Past Due

3.5.11.5 The Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The Mechanics of the ECL Calculation are Outlined Below and the Key Elements are as Follows :

- PD : The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD : Exposure at Default is the estimate of the exposure at a future default date, taking in to account expected changes after the reporting date, including repayments of the principle and interest, whether scheduled by contract to otherwise, expected draw downs on committed facilities.
- LGD : Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realisation of any collateral. It is usually expressed as a % of the EAD.

When estimating the ECL, the Company considers 3 scenarios (Base Case, Best Case & Worst Case). Each of these scenarios associated with different loss rates. For all products the Company considers the maximum period of which the credit losses are determined is the contractual life of a financial instrument.

3.5.11.6 Forward Looking Information

In it's ECL model the Company relies on broad range qualitative/quantitative forward looking information as economic input such as:

Quantitative
- GDP Growth
- Inflation
- Unemployment
- Interest Rates
- Exchange Rates

Qualitative
- Government Policies
- Status of the Industry Business
- Regulatory Impact

The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments, the Group changed the values of the key macro-economic variables in the impairment calculation model including the GDP growth rate, unemployment rate, interest rate, exchange rate etc. These values have been determined based on the most recent forecasts available as at the date of the calculation. To ensure completeness and accuracy, the Group obtains the above data primarily from the Central Bank of Sri Lanka (CBSL).

3.5.11.7 Modified Financial Assets

The Company makes concessions or modifications to the original terms of loans as response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. Such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

When the loan has been renegotiated or modified but not de-recognised, a reassessment is made whether there has been a significant increase in credit risk, as set out in Note 23.4.8 to the financial statements. Accordingly all rescheduled loans are classified as Stage 3 unless upgraded due to satisfactory performing period. Further loans which have been restructured one time and days past due less than 90 days are classified as Stage 2. If restructured two times, move to the next stage beyond the existing stage while such loans which have been restructured more than three times are classified as Stage 3.

3.5.11.8 Collateral repossessed

Repossession of collateral is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

3.5.11.9 Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

3.5.11.10 Definition of Default and Credit Impaired Assets

The Group generally considers financial assets as defaulted and therefore assessed in Stage 3 (as credit-impaired) for ECL calculations when:

The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

The borrower becomes 90 days past due on its contractual payments.

In addition, the Group classifies the financial investments (excluding securities issued by Government of Sri Lanka) under Stage 3 when the external credit rating assigned to the particular investment is "default".

In assessing whether a borrower is in default, Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Group considers customers with one or more of the default indicators as credit impaired.

3.5.11.11 De-recognition of Financial Assets and Financial Liabilities

3.5.11.11.1 Financial Assets

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

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the Other Comprehensive Income is recognised in the Statement of Profit or Loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

When the Company and the Group have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's and the Group's continuing involvement in the asset. In that case, the Company and the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and the Group have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company and the Group could be required to repay.

3.5.11.11.2 Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

3.5.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.5.13 Determination of Fair Value

The fair value for financial instruments traded in active markets at the Statement of Financial Position date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group's best estimate of the most appropriate model assumptions.

3.6 Impairment of Non-Financial Assets

The Group assesses at each Statement of Financial Position date to ascertain, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered as impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised immediately in the Statement of Profit or Loss. For assets excluding goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Previously recognised impairment losses are reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

3.7 Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position Date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.8 Revenue from Contracts with Customers

The core principle of SLFRS 15 is that an entity has to recognize revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as disclosed below.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when the entity satisfies a performance obligation

3.9 Significant Accounting Policies that are Specific to the Business of the Subsidiary – MBSL Insurance Company Limited

3.9.1 Deferred Expenses

3.9.1.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying asset amortization is recorded in the Statement of Profit or Loss.
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

3.9.1.2 Deferred Expenses - Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised.

3.9.2 Reinsurance

The subsidiary-MBSL Insurance (MBSLI) cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the MBSLI may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the MBSLI will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

The subsidiary-MBSLI also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.9.3 Insurance Contract Liabilities

3.9.3.1 Life Insurance Contract Liabilities

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry ACT, No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, by using a liability adequacy test.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses.

Any deficiency is recognized in the income statement by setting up a provision for liability adequacy.

3.9.3.2 Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

Liability Adequacy Test (LAT)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income. At each reporting date the company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the statement of comprehensive income by setting up a provision for liability adequacy.

3.9.3.3 Investment Contract Liabilities

Investment contracts are classified between contracts with and without Discretionary Participation Feature (DPF). The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position. Fair value adjustments are performed at each reporting date and are recognized in the statement of comprehensive income. Fair value is determined through the use of prospective discounted cash flow techniques. For unitized contracts, fair value is calculated as the number of units allocated to the policy holder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in statement of financial position adjusted to take account of the effect on the liabilities of the deferred tax on unrealized gains on assets in the fund.

Non-unitized contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash Flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

3.9.4 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contracts surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

3.10 Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as finance leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.11 SLFRS-16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.11.1 Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.
The right-of-use assets are presented within Note 30 - property, equipment and right-of-use assets and are subject to impairment in line with the Company's policy as described in Note 3.6, Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

3.11.2 Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.12 New and Amended Standards and Interpretations

The new and amended standards and interpretations that are issued up to the date of issuance of the (Group/Company's) financial statements but are not effective for the current annual reporting period, are disclosed below. The (Group/Company) intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Accounting Standard	Description	Effective Date	Assessment of the Impact on the Company/Group
SLFRS 17-Insurance Contracts	SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by: - A specific adaptation for contracts with direct participation features (the variable fee approach) - A simplified approach (the premium allocation approach) mainly for short-duration contracts SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.	On or after 1 January 2026	The amendments are not expected to have a material impact on the Group/Company's financial statement OR The Group / Company is currently assessing the impact the amendments will have on current practice.
SLFRS 18 Presentation and Disclosure in Financial Statements	SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information.	On or after 1 January 2027	The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.
Amendments to SLFRS 9 and SLFRS 7 Classification and Measurement of Financial Instruments	The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability-linked terms and nature-dependent electricity contracts.	On or after 1 January 2027	The amendments are not expected to have a material impact on the financial statements

Apart from the above there were no new accounting standards/amendments to existing accounting standards that became effective during the year. The Group has applied all relevant accounting standards which have been issued up to 31st December 2025 in the preparation of the Financial Statements for the year ended 31st December 2025.

3.12.1 Finance Business Act Directions Issued by the Central Bank of Sri Lanka

Credit Risk Management

In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank of Sri Lanka hereby issues these directions on Credit Risk Management to every Finance Company (FC) licensed under the Finance Business Act, No. 42 of 2011.

These directions outline the key principles for a sound credit risk management framework and the FC shall adopt the principles and practices provided in these directions. These directions shall be effective from 01.01.2025.

Operational Risk Management

In terms of the powers conferred by Section 12(1) of the Finance Business Act, No.42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank Of Sri Lanka hereby issues these directions on Operational Risk Management to all Finance Companies (FCs) licensed under the Finance Business Act, No.42 of 2011.
The FCs with assets of Rs.100 billion and above shall comply With these directions with effect from 01.01.2026, and FCs with Assets less than Rs. 100 billion shall comply with these Directions with effect from 01.01.2027.

Guidelines on Remuneration Policies and Disclosure Requirements

These guidelines are issued with the objective of improving consistency, fairness and transparency in remunerating the directors and senior management of Finance Companies (FCs) licensed under the Finance Business Act, No. 42 of 2011, with reference to the Finance Business Act (Corporate Governance) Direction No.05 of 2021.

These guidelines shall be applicable to all FCs, effective from the financial year 2025/26.

Specific Accounting Policies and Notes

This section provides specific accounting policies and accounting estimates in relation to the reported values in the Financial Statements with additional notes and explanations.

4. INCOME

Accounting Policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and revenue can be reliably measured. The specific recognition criteria, for each type of gross income, given under the respective income notes.

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Interest and similar income	7,243,533	6,207,886	7,442,102	6,467,481
Fee and commission income	233,879	211,880	257,546	236,802
Insurance premium income	-	-	272,462	408,020
Net trading gain/(loss)	782,290	804,725	782,354	804,762
Net gain/(loss) on financial instruments at fair value through profit or loss	(586,908)	257,327	(581,041)	261,789
Other operating income	232,109	100,905	174,419	110,368
	7,904,903	**7,582,723**	**8,347,842**	**8,289,221**

5. NET INTEREST INCOME

Accounting Policy

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method.
The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, shorter period to the net carrying amount of the financial asset.
As per SLFRS 9, the interest income and expense presented in the Statement of Profit or Loss include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVTOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

When calculating the EIR for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs).

When a financial asset becomes credit-impaired (as set out in Note 12.1) and is, therefore, regarded as 'stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures are no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Once the recorded value of a financial assets or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Overdue Interest
Interest from overdue rentals have been accounted for on a cash received basis.

For the year ended 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Interest and similar income					
Loans & receivables at amortised cost	5.1	6,082,633	4,347,067	6,082,633	4,347,067
Financial investments at FVTPL & amortised cost		1,137,349	1,748,671	1,152,468	1,783,157
Placements with banks & financial institutions		23,551	112,148	207,001	337,257
		7,243,533	**6,207,886**	**7,442,102**	**6,467,481**
Interest and similar expenses					
Due to banks		501,193	362,667	502,774	363,152
Due to customers at amortised cost	5.2	3,105,399	3,341,017	3,087,059	3,311,530
Interest expense on lease liabilities	39.1	72,623	45,494	80,419	56,627
Debt issued and borrowed funds at amortised cost		594,768	271,918	594,768	271,918
		4,273,983	**4,021,096**	**4,265,020**	**4,003,227**
Net interest income		**2,969,550**	**2,186,790**	**3,177,083**	**2,464,254**

5. NET INTEREST INCOME (Contd.)

5.1 Interest and similar income

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Finance lease/ijarah	2,634,606	2,007,248	2,634,606	2,007,248
Hire purchase/murabaha	1,613	739	1,613	739
Term loans	770,878	463,740	770,878	463,740
Short term loans	1,013,792	507,822	1,013,792	507,822
Personal loans	41,556	66,206	41,556	66,206
Pawning	1,269,270	904,538	1,269,270	904,538
Micro finance	2,502	608	2,502	608
Loans against fixed deposits	90,475	108,174	90,475	108,174
Margin trading	257,941	287,992	257,941	287,992
Government securities	1,137,349	1,748,671	1,152,468	1,783,157
Placement with banks	23,551	112,148	207,001	337,257
	7,243,533	**6,207,886**	**7,442,102**	**6,467,481**

5.2 Interest and similar expenses - Due to customers product wise

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Savings deposits	68,136	56,813	68,137	56,657
Term deposits	3,037,263	3,284,204	3,018,922	3,254,873
	3,105,399	**3,341,017**	**3,087,059**	**3,311,530**

6. NET FEE AND COMMISSION INCOME

Fee and Commission Income
Accounting Policy
Fee and commission income is earned from a diverse range of services provided by the Group to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- Income earned from the provision of services is recognised as revenue as the services are provided;

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Fee and commission income				
Trade & other related activities	233,879	211,880	227,780	200,512
Others	-	-	29,766	36,290
	233,879	**211,880**	**257,546**	**236,802**
Fee and commission expenses				
Commission expenses	94,055	43,332	87,956	49,503
	94,055	**43,332**	**87,956**	**49,503**
Net Fee and commission income	**139,824**	**168,548**	**169,590**	**187,299**

7. INSURANCE PREMIUM INCOME

Accounting Policy
Gross Premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when receivable from the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the Policy commences.

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

Reinsurance Premiums
Gross reinsurance premiums on life and investment contracts are recognized as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

For the year ended 31 December	Group 2025 Rs.'000	Group 2024 Rs.'000
Non-life insurance	463,268	617,879
Life insurance	23,365	23,933
Total gross written premium	486,633	641,812
Premium ceded to reinsurers	(229,727)	(305,519)
Net premium income	256,907	336,292
Change in unearned premium provisions-net	15,556	71,727
Total net earned premium	**272,462**	**408,020**

8. NET CLAIMS AND BENEFITS

Accounting Policy
Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

For the year ended 31 December	Group 2025 Rs.'000	Group 2024 Rs.'000
General Insurance		
Claims paid	347,810	481,697
Claims outstanding	190,571	(202,578)
	538,381	**279,119**
Reinsurance on claims paid	(31,625)	(38,689)
Reinsurance on claims outstanding	(139,803)	(12,603)
Reinsurance recoveries	**(171,429)**	**(51,292)**
General insurance net claim and benefits	**366,952**	**227,827**

8. NET CLAIMS AND BENEFITS (Contd.)

Life Insurance		
Claims paid	43,398	31,271
Change in life Insurance contract liabilities	73,884	73,236
	117,282	**104,507**
Claims outstanding	(13,613)	(2,699)
Gross claims - death, disability and hospitalisation	**103,669**	**101,808**
Reinsurance on claims outstanding	-	(170)
Reinsurance recoveries	**-**	**(170)**
Shareholder's profit	5,673	9,466
Long term insurance net claim and benefits	**97,996**	**92,512**
Underwriting and net acquisition costs	(3,084)	7,103
Net claims and benefits	**461,864**	**327,442**

9. NET TRADING INCOME

Accounting Policy

Results arising from trading activities include gain/(loss) on disposal of financial assets at FVTPL.

Dividend Income

Dividend income shall be recognised when the Group's right to receive payment is established.

	Company		Group	
For the year ended 31 December	**2025**	**2024**	**2025**	**2024**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Gain/(loss) on disposal of quoted shares	49,179	18,075	49,179	18,075
Gain/(loss) on disposal of unquoted shares	7,800	-	7,800	-
Gain/(loss) on disposal of government securities	723,577	775,736	723,577	775,736
Dividend income from financial assets at FVTPL	1,734	10,914	1,798	10,951
Net trading income	**782,290**	**804,725**	**782,354**	**804,762**

10. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Fair value gains and losses attributable to changes in the fair values of the equity and debt securities classified under financial assets at FVTPL is recognised in the Statement of Profit or Loss, when there is a change to the fair value of the asset.

		Company		Group	
For the year ended 31 December	**Note**	**2025**	**2024**	**2025**	**2024**
		Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Government securities		(558,310)	110,730	(558,310)	110,730
Quoted securities	22.2	(28,598)	146,597	(22,731)	151,059
		(586,908)	**257,327**	**(581,041)**	**261,789**

11. OTHER OPERATION INCOME

Accounting Policy

Other operating income includes gains on disposal of property & equipment, dividend income, profit & losses from real estates, profit & losses from investment properties and write-off collection.

		Company		Group	
For the year ended 31 December	**Note**	**2025**	**2024**	**2025**	**2024**
		Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Profit on sale of real estate		3,164	5,126	3,163	5,126
Recovery of bad debts written off		75,449	60,350	75,449	60,350
Dividend income from associates		73,650	-	-	-
Profit/(loss) on sale of Property, equipment and right-of-use assets including foreclosed properties		52,837	9,615	52,837	9,615
Other income		27,009	25,814	42,970	35,277
		232,109	**100,905**	**174,419**	**110,368**

12. ALLOWANCE FOR IMPAIRMENT LOSSES CHARGE FOR LOANS AND OTHER ASSETS

Accounting Policy

The Company and the Group recognised the changes in the impairment provisions for loans and receivables which are assessed as per Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments'. The methodology adopted by the Company and the Group is explained in Note 3.5 to the Financial Statements.

For the year ended 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Loans and receivables to customers					
Impairment on individually significant loans	23	(599,402)	839,109	(599,402)	839,109
Impairment on collective loans	23	(78,753)	(1,090,263)	(78,753)	(1,090,263)
Write-off	12	565,327	108,763	565,327	108,763
Total impairment charges for loans and receivables to customers		**(112,828)**	**(142,391)**	**(112,828)**	**(142,391)**
Cash and cash equivalents	20.1.1	(13)	(25)	(13)	(25)
Placements with banks & financial institutions	21.1	(22)	(65)	(22)	(65)
Other assets		1,348	96,288	1,348	96,288
		(111,515)	**(46,193)**	**(111,515)**	**(46,193)**

12.1 Analysis of Impairment Charges

The below table shows the ECL charges on financial instruments for the year recorded in the Statement of Profit or Loss.

For the year ended 31 December	Company 2025 Individual Rs.'000	Company 2025 Collective Rs.'000	Group 2025 Individual Rs.'000	Group 2025 Collective Rs.'000
Loans & receivables at amortised cost				
Stage 1	-	21,648	-	21,648
Stage 2	-	26,200	-	26,200
Stage 3	(599,402)	(126,601)	(599,402)	(126,601)
Write-off				
Stage 3	565,327	-	565,327	-
Cash and cash equivalents				
Stage 1	-	(13)	-	(13)
Placements with banks & financial institutions				
Stage 1	-	(22)	-	(22)
Other assets				
Stage 3	1,348	-	1,348	-
Total impairment charges/(reversal)	**(32,727)**	**(78,788)**	**(32,727)**	**(78,788)**

12. ALLOWANCE FOR IMPAIRMENT LOSSES CHARGE FOR LOANS AND OTHER ASSETS (Contd...)

12.1

For the year ended 31 December	Company 2024		Group 2024	
	Individual Rs.'000	Collective Rs.'000	Individual Rs.'000	Collective Rs.'000
Loans & receivables at amortised cost				
Stage 1	-	53,248	-	53,248
Stage 2	-	(21,890)	-	(21,890)
Stage 3	839,109	(1,121,620)	839,109	(1,121,620)
Write-off				
Stage 3	108,763	-	108,763	-
Cash and cash equivalents				
Stage 1	-	(25)	-	(25)
Placements with banks & financial institutions				
Stage 1	-	(65)	-	(65)
Other assets				
Stage 3	96,287	-	96,288	-
Total impairment charges	**1,044,159**	**(1,090,352)**	**1,044,159**	**(1,090,352)**

13. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of obligation.

Defined Contribution Plan – Employees' Provident Fund and Employees' Trust Fund (EPF & ETF)

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Group and employees contributes 12% and 8% of gross emoluments of employees to Employees' Provident Fund. The Group contributes 3% of gross emoluments of employees to the Employees' Trust Fund.

Defined Benefit Plan – Gratuity

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - 'Employee Benefit' as explained in Note 40

For the year ended 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Staff emoluments		1,280,868	1,199,760	1,410,125	1,356,258
Employers' contribution to defined contribution & benefit plans					
Employees' Provident Fund		117,524	101,581	130,679	117,020
Employees' Trust Fund		29,394	25,395	32,683	29,255
Retirement benefit expenses	40.1	72,622	73,878	74,921	76,931
		1,500,408	**1,400,614**	**1,648,408**	**1,579,464**

14. DEPRECIATION AND AMORTISATION

Accounting Policy

Depreciation

Depreciation is recognized in the Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation of an asset ceases at the earlier of that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active unless the asset is fully depreciated.

Depreciation of right-of-use assets are presented together with property and equipment in the Statement of Profit or Loss, refer to the accounting policy in Note 3.11.1. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The estimated useful lives for the current and comparative years are as follows:

Class of asset	Percentage per annum (%)	Period
Motor vehicles	20	5 years
Computers & accessories	20	5 years
Building	5	20 years
Other assets	10-50	2-10 years

Amortisation of Intangible Assets

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Class of asset	Percentage per annum (%)	Period
Computer software	12.5-20	5-8 Years

All classes of property, equipment and intangible assets together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and the end of the year are given in Note 30 and 31.

For the year ended 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Depreciation of investment property	29	-	703	-	703
Depreciation of property, equipment and right-of-use assets	30	262,834	249,180	297,156	284,813
Amortisation of intangible assets	31	32,794	41,195	33,994	42,206
		295,628	**291,078**	**331,150**	**327,722**

15. OTHER OPERATING EXPENSES

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property & equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at that profit for the year.

Directors' Emoluments

Directors' emoluments include fees paid to non-executive directors.

Crop Insurance Levy

The Crop Insurance Levy (CIL) was introduced with effect from 1 April 2013, as per the provisions of the Section 14 of the Finance Act No. 12 of 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

For the year ended 31 December	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Directors' emoluments	9,088	4,992	9,357	7,322
Auditors' remuneration				
Audit fees	2,963	2,830	4,566	4,402
Non audit fees	577	577	913	905
Professional & legal fees	30,551	79,249	19,800	81,673
Donations	-	-	335	-
Insurance premium for deposits paid to the central bank	43,957	38,291	43,957	38,291
Crop insurance levy	2,916	2,610	2,916	2,610
Advertising and business promotional expenses	110,827	126,307	110,827	126,307
Office administration & establishment expenses	705,311	774,809	873,496	931,098
	906,190	**1,029,665**	**1,066,167**	**1,192,608**

16. TAXES

16.1 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non – cash benefits and provisions relating to terminal benefits.

Vat rate applied for the current financial year is 18% (2024-18%)

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act no. 25 of 2022 (SSCL Act), at the rate of 2.5% with effect from 01 October 2022. SSCL is payable on 100% if the Value Addition attributable to financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

SSCL rate applied for the current financial year is 2.5% (2024-2.5%).

For the year ended 31 December	Company		Group	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value Added Tax on financial services	352,846	342,638	352,846	342,638
Social Security Contribution Levy (SSCL)	52,658	50,149	52,658	50,149
	405,504	**392,787**	**405,504**	**392,787**

16.2 Income Tax Expense

Accounting Policy

16.2.1 Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, amendments thereto Act No.10 of 2021 effect from 13th May, 2021 and the Inland Revenue (Amendment) Act No. 45 of 2022, at the rate specified in Note 16.2 to the Financial Statements. This Note also includes the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes'.

Treatment of Impairment charges

As per Part 1: Sec (1) of the Gazette notification issued on 25 October 2022 under sub section (2) and (3) of section 66 of the Inland revenue Act No. 24 of 2017, the impairment charges of Stage 3 credit facilities classified as per Sri Lanka Accounting Standards (SLFRS 9) have been considered as an allowable deduction (after adjusting for specifications given under section 1 of schedule 1 of the said Gazette notification).

The Company/ Group has computed the current year tax payable at the rate of 30%.

16.2.2 Deferred Tax

Deferred tax asset has been recognized on all temporary difference arising on impairment provisions after adjustments been made in respect of impairment charges pertaining to stage 3 credit facilities, based on the specifications given in section 1 of schedule (i) of the Gazette notification issued on 25 October 2022 under Inland Revenue Act No. 24 of 2017.

The deferred tax assets/liabilities of the Company as at 31 December 2025 were computed using the tax rate of 30%.

Detailed disclosure of accounting policies and estimate of deferred tax are available in the Note 38 to the Financial Statements.

For the year ended 31 December	Note	Company		Group	
		2025	2024	2025	2024
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax expense					
Current tax based on profit for the year	16.3	260,907	230,696	260,907	230,696
Over provision in respect of previous years		429	-	429	-
Other (reversal)/charge including settlements		-	(1,947)	-	(1,947)
WHT on dividend Income		11,048		11,048	-
Share of associate company's current tax		-	-	32,605	3,970
Total current tax expense		**272,384**	**228,749**	**304,989**	**232,719**
Deferred tax expense/(reversal)					
Due to change in temporary differences	38.1	(26,948)	(23,294)	(23,633)	(22,471)
Total deferred tax expense/(reversal)		(26,948)	(23,294)	(23,633)	(22,471)
Total income tax expense/(reversal)		**245,435**	**205,455**	**281,356**	**210,248**
Effective tax rate		48.03%	46.08%	93.18%	44.18%

16.3 Reconciliation of the Accounting Profit to Current Tax Expense

For the year ended 31 December	Company				Group			
	Rate %	2025 Rs.'000	Rate %	2024 Rs.'000	Rate %	2025 Rs.'000	Rate %	2024 Rs.'000
Profit as per the Statement of Profit or Loss		**510,957**		**445,909**		**301,937**		**475,894**
Tax effect on accounting profit before tax	30.0	153,287	30.0	133,773	30.0	72,875	30.0	132,918
Tax effect on								
Disallowable expenses	(43.7)	223,047	(44.6)	198,754	(43.7)	236,261	(44.6)	223,105
Lease capital recoverable	(0.8)	4,112	(1.1)	4,797	(0.8)	4,112	(1.1)	(4,825)
Tax deductible expenses	(15.3)	(78,368)	(12.2)	(54,571)	(15.3)	(93,200)	(12.2)	(59,885)
Exempt income	(8.1)	(41,171)	(11.7)	(52,057)	(8.1)	(78,483)	(11.7)	(108,467)
Tax losses/(set-off)	0.0	-	0.0	-	0.0	119,341	-	47,850
Current tax based on profit for the year	51.1	260,907	51.7	230,696	86.4	260,907	48.5	230,696
Over provision in respect of previous years	0.1	429	0.0	-	0.1	429	0.0	-
Share of associate company's current tax	0.0	-	0.0	-	6.4	32,605	0.0	3,970
Other (reversal)/charge including settlements	0.0	-	(0.4)	(1,947)	0.0	-	(0.4)	(1,947)
WHT on Dividend Income	2.2	11,048		-	2.2	11,048		-
Deferred tax expense/(reversal)								
Due to change in temporary differences	(5.3)	(26,949)	(5.2)	(23,294)	(5.3)	(23,633)	(5.2)	(22,471)
Total income tax expense/(reversal)	48.0	245,435	46.1	205,455	93.2	281,356	44.2	210,248

16. TAXES (Contd...)

16.4 The break up of Tax Losses is as follows;

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	-	-	1,703,999	1,780,732
Tax loss during the year	-	-	(397,806)	158,418
Tax loss utilized during the year	-	-	(147,125)	(235,151)
Balances as at 31 December	-	-	1,159,068	1,703,999

16.5 Taxes paid to the government during the year

For the year ended 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Direct Taxes				
Income Tax	297,361	42,693	297,361	42,693
Value added tax on financial services	361,190	352,100	361,190	352,100
Social security contribution levy	51,611	52,588	65,699	52,588
Crop insurance levy	3,502	313	3,502	313
Tax clearance charges	11,594	12,123	11,654	12,123
Total direct taxes	725,258	459,817	739,406	459,817
Indirect Taxes				
Value added tax	16,906	16,630	60,091	172,109
Withholding tax on interest	225,571	210,072	228,860	213,571
Stamp duty	48,006	58,556	48,599	59,363
PAYE/APIT tax	44,554	53,711	52,404	65,265
Total indirect taxes	335,037	338,969	389,954	510,308

17. Earnings/(Deficit) Per Share and Dividend Per Share

Basic/Diluted Earnings Per Share

Accounting Policy

As per the Sri Lanka Accounting Standard - LKAS 33 - 'Earnings per Share', is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Group does not have any potentially dilutive shares.

For the year ended 31 December	Company		Group	
	2025	2024	2025	2024
Profit attributable to ordinary shareholders (Rs.'000)	265,522	240,454	148,540	260,338
Weighted-average number of ordinary shares used as denominator ('000)	524,540	524,540	524,540	524,540
Basic earnings per ordinary share (Rs.)	0.51	0.46	0.28	0.50

17.1 Weighted average number of shares

For the year ended 31 December	Company		Group	
	2025	2024	2025	2024
Brought forward number of shares	524,540	524,540	524,540	524,540
Weighted-average number of shares	524,540	524,540	524,540	524,540

17.2 Dividend Per Share

No dividend has been declared and paid by the Company and the Group during the year 2025 and 2024.

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting Policy

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments' under heading of the Statement of Financial Position.

18.1 Company - 2025

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	618,703	618,703
Financial investments at fair value through profit or loss	7,634,038	-	-	7,634,038
Loans & receivables at amortised cost	-	-	39,585,583	39,585,583
Financial investments at fair value through other comprehensive income	-	54	-	54
Financial investments at amortised cost	-	-	4,425,177	4,425,177
Other assets	-	-	160,311	160,311
Total financial assets	**7,634,038**	**54**	**44,789,774**	**52,423,866**

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	14,889,904	14,889,904
Due to customers at amortised cost	31,792,758	31,792,758
Debt issued and borrowed funds at amortised cost	1,821,393	1,821,393
Other liabilities	77,908	77,908
Total financial liabilities	**48,581,963**	**48,581,963**

18.2 Company - 2024

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	752,190	752,190
Placements with banks & financial institutions	-	-	203,332	203,332
Financial investments at fair value through profit or loss	8,534,914	-	-	8,534,914
Loans & receivables at amortised cost	-	-	25,942,008	25,942,008
Financial investments at fair value through other comprehensive income	-	16,554	-	16,554
Financial investments at amortised cost	-	-	3,473,969	3,473,969
Other assets	-	-	78,232	78,232
Total financial assets	**8,534,914**	**16,554**	**30,449,731**	**39,001,199**

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	8,144,088	8,144,088
Due to customers at amortised cost	25,956,175	25,956,175
Debt issued and borrowed funds at amortised cost	730,033	730,033
Other liabilities	132,820	132,820
Total financial liabilities	**34,963,116**	**34,963,116**

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd.)

18.3 Group - 2025

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	891,554	891,554
Placements with banks & financial institutions	-	-	452,254	452,254
Financial investments at fair value through profit or loss	7,652,964	-	-	7,652,964
Loans & receivables at amortised cost	-	-	39,586,838	39,586,838
Financial investments at fair value through other comprehensive income	-	126,834	-	126,834
Financial investments at amortised cost	-	-	5,051,559	5,051,559
Other assets	-	-	160,311	160,311
Total financial assets	**7,652,964**	**126,834**	**46,142,516**	**53,922,314**

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	14,894,488	14,894,488
Due to customers at amortised cost	31,620,482	31,620,482
Debt issued and borrowed funds at amortised cost	1,821,393	1,821,393
Other liabilities	77,908	77,908
Total financial liabilities	**48,414,271**	**48,414,271**

18.4 Group - 2024

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	-	-	854,028	854,028
Placements with banks & financial institutions	-	-	644,044	644,044
Financial investments at fair value through profit or loss	8,547,974	-	-	8,547,974
Loans & receivables at amortised cost	-	-	25,946,502	25,946,502
Financial investments at fair value through other comprehensive income	-	135,058	-	135,058
Financial investments at amortised cost	-	-	4,498,689	4,498,689
Other assets	-	-	78,232	78,232
Total financial assets	**8,547,974**	**135,058**	**32,021,495**	**40,704,527**

	Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
Liabilities		
Due to banks	8,144,088	8,144,088
Due to customers at amortised cost	25,739,758	25,739,758
Debt issued and borrowed funds at amortised cost	730,033	730,033
Other liabilities	132,820	132,820
Total financial liabilities	**34,746,698**	**34,746,698**

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Value and Fair Value Hierarchy

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at FVTPL valued using valuation techniques or pricing models primarily consist of quoted investments. These quoted investments are valued using quoted market price in an active market of each securities.

Financial Assets and Liabilities Carried at Amortised Cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the discounted cash flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a traded price may not be possible. In these circumstances, the Company/Group uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

19.1 Determination of Fair Value and Fair Value Hierarchy

The Company and the Group use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)

19.1.1 Company

As at 31 December	Note	2025				2024			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial investments measured at FVTPL									
Government securities	22.1	7,296,561	-	-	7,296,561	8,239,090	-	-	8,239,090
Investment securities - Quoted	22.2, 22.4	337,476	-	-	337,476	295,824	-	-	295,824
		7,634,037	-	-	7,634,037	8,534,914	-	-	8,534,914
Financial investments measured at Amortized Cost									
Cash in hand	20	359,708	-	-	359,708	281,011	-	-	281,011
Cash at bank	20	258,995	-	-	258,995	471,179	-	-	471,179
Fixed deposits and other deposits	21	-	-	-	-	-	203,332	-	203,332
Loans & receivables	23	-	45,227,802	-	45,227,802	-	22,794,684	-	22,794,684
Government securities	25.1	4,425,177	-	-	4,425,177	3,473,969	-	-	3,473,969
		5,043,880	45,227,802	-	50,271,682	4,226,159	22,998,016	-	27,224,175
Financial investments measured at FVTOCI									
Equity securities - Quoted	24.2	-	-	-	-	16,500	-	-	16,500
Equity securities - Unquoted	24.3	-	-	54	54	-	-	54	54
		-	-	54	54	16,500	-	54	16,554
Total		12,677,917	45,227,802	54	57,905,773	12,777,573	22,998,016	54	35,775,643

The following table shows an analysis of financial instruments recorded at fair value by collateralisation:

	Company	
As at 31 December	**2025**	**2024**
	Rs.'000	**Rs.'000**
Pledged as collateral	8,054,641	3,271,383
Unencumbered	49,851,132	32,504,260
Total	57,905,773	35,775,644

19.1.2 Group

As at 31 December	Note	2025				2024			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial investments measured at FVTPL									
Government securities	22.1	7,296,561	-	-	7,296,561	8,239,090	-	-	8,239,090
Investment securities - Quoted	22.2, 22.4	356,402	-	-	356,402	308,884	-	-	308,884
		7,652,963	-	-	7,652,963	8,547,974	-	-	8,547,974
Financial investments measured at Amortized Cost									
Cash in hand	20	360,055	-	-	360,055	281,423	-	-	281,423
Cash at bank	20	322,370	-	-	322,370	570,459	-	-	570,459
Repurchase agreements		-	209,129	-	209,129	-	2,146	-	2,146
Fixed deposits and other deposits	21	-	452,254	-	452,254	-	644,044	-	644,044
Loans & receivables	23	-	45,227,802	-	45,227,802	-	22,794,684	-	22,794,684
Government securities	25.1	5,051,559	-	-	5,051,559	4,498,689	-	-	4,498,689
		5,733,984	45,889,185	-	51,623,169	5,350,571	23,440,874	-	28,791,445
Financial investments measured at FVTOCI									
Government securities	24	108,550	-	-	108,550	101,699	-	-	101,699
Equity securities - Quoted	24.2	-	-	-	-	16,500	-	-	16,500
Equity securities - Unquoted	24.3	-	-	54	54	-	-	54	54
Unit trust	24	-	18,230	-	18,230	-	16,805	-	16,805
		108,550	18,230	54	126,834	118,199	16,805	54	135,058
Total		13,495,497	45,907,415	54	59,402,966	14,016,744	23,457,679	54	37,474,477

The following table shows an analysis of financial instruments recorded at fair value by collateralisation:

As at 31 December	Group	
	2025	2024
	Rs.'000	Rs.'000
Pledged as collateral	8,054,641	3,271,383
Unencumbered	51,348,325	34,203,094
Total	59,402,965	37,474,478

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)

19.1.3 Company

As at 31 December	Note	2025				2024			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities									
Financial liabilities measured at Amortized Cost									
Bank overdraft	33.1	-	829,723	-	829,723	-	198,124	-	198,124
Reverse repurchase agreements	33	-	6,562,543	-	6,562,543	-	2,408,440	-	2,408,440
Bank borrowings - Short-term loans	33	-	4,261,737	-	4,261,737	-	5,056,813	-	5,056,813
Bank borrowings - Long-term loans	33	-	3,235,901	-	3,235,901	-	480,711	-	480,711
Due to customers at amortised cost	34	-	28,983,335	-	28,983,335	-	25,756,040	-	25,756,040
Debt issued and borrowed funds at amortised cost	35	-	1,821,393	-	1,821,393	-	730,033	-	730,033
Total		-	45,694,632	-	45,694,632	-	34,630,161	-	34,630,161

19.1.4 Group

	Note	2025				2024			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities									
Financial liabilities measured at Amortized Cost									
Bank overdraft	33.1	-	834,307	-	834,307	-	198,124	-	198,124
Reverse repurchase agreements	33	-	6,562,543	-	6,562,543	-	2,408,440	-	2,408,440
Bank borrowings - Short-term loans	33	-	4,261,737	-	4,261,737	-	5,056,813	-	5,056,813
Bank borrowings - Long-term loans	33	-	3,235,901	-	3,235,901	-	480,711	-	480,711
Due to customers at amortised cost	34	-	28,983,335	-	28,983,335	-	25,756,040	-	25,756,040
Debt issued and borrowed funds at amortised cost	35	-	1,821,393	-	1,821,393	-	730,033	-	730,033
Total		-	45,699,215	-	45,699,215	-	34,630,161	-	34,630,161

19.2 Accounting Policy

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques incorporating group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Instruments Carried at Fair Value

The fair value is the amount for which a financial asset could be exchanged between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, which is the case for a number of financial assets and liabilities, a discounted cash flow or generally accepted estimation and valuation techniques based on market conditions at the reporting date are used to calculate an estimated value.

Financial Investments at Fair Value Through Other Comprehensive Income

FVTOCI financial assets valued using valuation techniques or pricing models primarily consist of government debt securities and unquoted equity securities.

These assets are valued using models that use both observable and unobservable data. The un–observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Other Financial Assets Designated at Fair Value Through Profit or Loss

Other financial assets designated at FVTPL valued using the market price since an active market exists.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

19.2.1 As at 31 December

	Company				Group			
	2025		2024		2025		2024	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets								
Placements with banks & financial institutions	-	-	203,332	203,332	452,254	452,254	644,044	644,044
Loans & receivables at amortised cost	39,585,583	45,227,802	25,942,008	22,794,684	39,586,838	45,227,802	25,946,502	22,794,684
Financial investments at amortised cost	4,425,177	4,425,177	3,473,969	3,473,969	5,051,559	4,425,177	4,498,689	3,473,969
Other assets	160,311	160,311	78,232	78,232	160,311	160,311	78,232	78,232
Total	44,171,071	49,813,290	29,697,541	26,550,217	45,250,962	50,265,544	31,167,467	26,990,929
Financial liabilities								
Due to customers at amortised cost	31,792,758	28,983,335	25,956,175	25,756,040	31,620,482	28,983,335	25,739,758	25,756,040
Due to banks	8,327,361	8,327,361	5,735,648	5,735,648	8,331,944	8,331,944	5,735,648	5,735,648
Reverse repurchase agreements	6,562,543	6,553,271	2,408,440	2,408,440	6,562,543	6,553,271	2,408,440	2,408,440
Debt issued and borrowed funds at amortised cost	1,821,393	1,835,927	730,033	776,847	1,821,393	1,835,927	730,033	776,847
Other liabilities	77,908	77,908	132,820	132,820	77,908	77,908	132,820	132,820
Total	48,581,963	45,777,802	34,963,116	34,809,795	48,414,270	45,782,385	34,746,699	34,809,795

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity it is assumed that the carrying amounts approximate to their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

20. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. There were no cash and cash equivalent balances held by the Group companies that were not available for use by the Group. Cash & cash equivalents are carried at amortised cost.

Securities Purchased Under Resale Agreements

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Cash in hand		359,708	281,011	360,055	281,423
Cash at bank	20.1	258,995	471,179	322,370	570,459
Repurchase agreements		-	-	209,129	2,146
		618,703	**752,190**	**891,554**	**854,028**

20.1 Analysis of Cash at Banks

Cash at bank		259,000	471,197	322,375	570,477
Less : Allowance for impairment losses					
Collective impairment	20.1.1	5	18	5	18
		258,995	**471,179**	**322,370**	**570,459**

20.1.1 Movement of impairment during the year - Company

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	43	-	-	43
Charge during the year	(25)	-	-	(25)
Balance as at 31 December 2024	**18**	**-**	**-**	**18**
Reversals during the year	(13)	-	-	(13)
Balance as at 31 December 2025	**5**	**-**	**-**	**5**

Movement of impairment during the year - Group

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	43	-	-	43
Charge during the year	(25)	-	-	(25)
Balance as at 31 December 2024	**18**	**-**	**-**	**18**
Reversals during the year	(13)	-	-	(13)
Balance as at 31 December 2025	**5**	**-**	**-**	**5**

20.1.2 Cash and cash equivalents allocated for the liquidity requirement

As at 31 December	Company 2025 Rs.'000	Company 2024 Rs.'000
Cash in hand	359,812	280,756
Balances in current accounts free from lien	352,171	452,098
	711,983	**732,854**

21. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS

Accounting Policy
Balances with banks & financial institutions includes fixed deposits and other deposits in local currency. Balances with banks & financial institution are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Fixed deposits and other deposits		-	203,354	452,254	644,066
Less : Allowance for impairment losses					
Collective impairment	21.1	-	22	-	22
		-	**203,332**	**452,254**	**644,044**

21. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS (Contd.)

21.1 Movement of impairment during the year - Company

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	(87)	-	-	(87)
Charge during the year	65	-	-	65
Balance as at 31 December 2024	**(22)**	**-**	**-**	**(22)**
Charge during the year	22	-	-	22
Balance as at 31 December 2025	**-**	-	**-**	**-**

21.2 Movement of impairment during the year - Group

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Collective				
Balance as at 01 January 2024	(87)	-	-	(87)
Charge during the year	65	-	-	65
Balance as at 31 December 2024	**(22)**	**-**	**-**	**(22)**
Charge during the year	22	-	-	22
Balance as at 31 December 2025	**-**	**-**	**-**	**-**

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Financial investments are classified as FVTPL if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net gain/(loss) on financial instruments at fair value through profit or loss'. Interest and dividend income or expenses is record in 'Net trading income' and 'Other operating income' according to the terms of the contract, or when the right to receive the payment has been established.

Financial investments at FVTPL include debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

		Company		Group	
As at 31 December	Note	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities	22.1	7,296,561	8,239,090	7,296,561	8,239,090
Investment securities - Quoted	22.2, 22.4	337,476	295,824	356,402	308,884
		7,634,038	**8,534,914**	**7,652,964**	**8,547,974**

22.1 Government Securities

Treasury bonds	7,296,561	8,239,090	7,296,561	8,239,090
	7,296,561	**8,239,090**	**7,296,561**	**8,239,090**

22.2 Quoted Equities and Unit Trusts

Company

As at 31 December	2025			2024		
	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Application Software						
hSenid Business Solutions PLC	-	-	-	65,000	1,362	793
		-	-		1,362	793
Banks						
Amana Bank PLC	-	-	-	10,212	270	250
Hatton National Bank PLC	2,143	825	854	-	-	-
		825	854		270	250
Capital Goods						
Access Engineering PLC	47,983	3,501	3,517	-	-	-
Brown & Company PLC	175,000	38,911	28,350	150,000	35,244	26,738
Cable Solutions PLC	2,250,000	33,985	33,300	-	-	-
Colombo Dockyard PLC	-	-	-	90,000	7,105	5,931
E B Creasy & Company PLC	-	-	-	26,660	830	765
John Keells Holdings PLC	700,000	16,248	15,190	-	-	-
Lanka Tiles PLC	135,000	7,779	6,737	7,500	734	438
Lanka Walltiles PLC	153,467	8,239	7,673	-	-	-
Lankem Ceylon PLC	-	-	-	13,500	1,252	1,080
Luminex PLC	92,354	638	628	-	-	-
Mackwoods Energy PLC	-	-	-	1,350,000	4,194	2,970
MTD Walkers PLC	-	-	-	165,000	6,751	-
Royal Ceramics Lanka PLC	500,000	24,549	23,000	202,000	11,251	8,787
		133,850	118,395		67,361	46,709
Consumer Durables & Apparel						
Blue Diamonds Jewellery Worldwide PLC-Non Voting	5,250,000	3,125	1,575	5,250,000	3,125	1,575
Dankotuwa Porcelain PLC	-	-	-	10,000	259	235
Hayleys Fabric PLC	120,502	6,065	4,904	-	-	-
Hela Apparel Holdings PLC	3,977,150	20,833	12,329	750,000	5,646	4,425
		30,023	18,808		9,030	6,235
Commercial & Professional Services						
E M L Consultants PLC	-	-	-	925,000	3,906	3,793
		-	-		3,906	3,793
Consumer Services						
Anilana Hotels & Properties PLC	750,000	1,106	750	750,000	1,106	675
Asian Hotels and Properties PLC	70,000	4,798	4,200	8,097	462	514
Bansei Royal Resorts Hikkaduwa PLC	140,282	3,110	3,184	-	-	-
Beruwala Resorts PLC	1,000,000	4,145	3,800	-	-	-
Browns Beach Hotels PLC	50,000	1,400	1,290	-	-	-
Citrus Leisure PLC	3,700,000	17,626	15,910	2,250,000	11,281	10,125
Eden Hotel Lanka PLC	775,040	13,290	10,541	235,249	5,288	3,905
Galadari Hotels (Lanka) PLC	150,000	2,950	2,775	-	-	-
Hikkaduwa Beach Resort PLC	2,247,143	8,731	9,213	420,952	2,413	1,515
Mahaweli Reach Hotels PLC	23,670	525	457	-	-	-
Palm Garden Hotels PLC	30,000	2,549	2,007	44,289	2,774	3,251
The Kingsbury PLC	-	-	-	2,175,454	23,483	26,105
Waskaduwa Beach Resort PLC	4,500,000	14,841	9,000	3,750,000	13,291	7,875
		75,071	63,127		60,098	53,965
Diversified Financials						
Ceylon Investment PLC	-	-	-	101,907	8,492	7,480
HNB Finance PLC	-	-	-	42,500	355	238
Lanka Credit & Business Finance PLC	-	-	-	1,136,561	4,107	3,069
LOLC Finance PLC	575,000	10,159	3,278	575,000	10,159	3,853
LOLC Holdings PLC	19,998	10,046	11,199	95,000	46,984	65,574
Nation Lanka Finance PLC	500,000	200	50	500,000	200	150
Shaw Wallace Investments PLC	75,000	963	825	-	-	-
SMB Finance PLC-Non Voting	-	-	-	8,500,000	4,050	2,550
Softlogic Finance PLC	-	-	-	122,056	4,215	720
Vallibel Finance PLC	-	-	-	10,001	393	533
		21,368	15,352		78,955	84,167

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)

As at 31 December	2025			2024		
	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Food Beverage & Tobacco						
Agalawatta Plantations PLC	-	-	-	208,325	10,048	9,708
Browns Investments PLC	6,750,000	59,389	44,550	5,000,000	45,894	35,500
Ceylon Cold Stores PLC	55,000	5,951	5,995	-	-	-
Hapugastenne Plantations PLC	15,000	1,273	795	-	-	-
HVA Foods PLC	3,251,020	12,445	11,053	565,789	2,831	2,320
Kotmale Holdings PLC	-	-	-	2,233	926	980
Lanka Milk Foods PLC	270	18	18	10,000	320	468
Lucky Lanka Milk Processing Company PLC	-	-	-	2,514,546	14,958	-
Madulsima Plantations PLC	50,000	700	600	-	-	-
Raigam Wayamba Salterns PLC	-	-	-	293,839	2,161	2,145
Renuka Agri Foods PLC	-	-	-	1,575,000	7,259	5,828
Tea Small Holder Factories PLC	8,190	434	381	-	-	-
		80,210	63,392		84,397	56,949
Health Care Equipment & Services						
Asiri Hospital Holdings PLC	50,000	1,793	1,500	5,000	210	129
Asiri Surgical Hospital PLC	-	-	-	124,860	1,685	1,498
E - Channelling PLC	40,000	695	632	104,000	1,584	1,435
Nawaloka Hospital PLC	-	-	-	50,000	245	220
The Lanka Hospitals Corporation PLC	-	-	-	7,500	661	596
		2,488	2,132		4,385	3,878
Household & Personal Products						
B P P L Holdings PLC	-	-	-	89,971	2,132	1,943
		-	-		2,132	1,943
Insurance						
Arpico Insurance PLC	-	-	-	10,000	300	265
Softlogic Capital PLC	2,000,000	13,789	10,200	1,000,000	8,226	6,000
		13,789	10,200		8,526	6,265
Materials						
AgStar PLC	-	-	-	300,000	2,646	2,490
Alumex PLC	21,511	441	439	-	-	-
Bogala Graphite Lanka PLC	-	-	-	45,002	3,479	2,750
CIC Holdings PLC-Non Voting	525,000	13,681	13,703	-	-	-
Dipped Products PLC	80,000	5,376	4,888	25,000	1,306	1,363
Ex-Pack Corrugated Cartons PLC	646,006	9,799	9,109	50	1	1
Haycarb PLC	-	-	-	67,000	6,213	5,715
Lanka Aluminium Industries PLC	6,278	304	307	-	-	-
Pelwatte Sugar Industries PLC	-	-	-	41,600	1,799	-
Richered Peries Export PLC	2,500	1,300	993	2,500	1,300	1,048
		30,901	29,439		16,744	13,367
Real Estate						
Colombo Land & Development Company PLC	-	-	-	79,939	2,753	1,847
East West Properties PLC	-	-	-	610,000	7,043	6,771
Lanka Realty Investments PLC	-	-	-	321,876	6,833	4,474
Millennium Housing Developers PLC	-	-	-	10,000	36	31
		-	-		16,665	13,123
Retailing						
C M Holdings PLC	-	-	-	5,000	625	601
Ceylon Tea Brokers PLC	100,000	890	890	-	-	-
		890	890		625	601
Telecommunication Services						
Sri Lanka Telecom PLC	-	-	-	3,600	252	250
		-	-		252	250
Trading						
Tess Agro PLC	-	-	-	2,500,000	3,038	3,000
Tess Agro PLC-Non Voting	-	-	-	670,353	638	536
		-	-		3,676	3,536

As at 31 December		2025 Total Cost Rs.'000	2025 Fair Value Rs.'000		2024 Total Cost Rs.'000	2024 Fair Value Rs.'000
Utilities						
LAUGFS Power PLC	50,000	810	700	-	-	-
LAUGFS Power PLC-Non Voting	150,000	1,858	1,500	-	-	-
Resus Energy PLC	60,000	3,230	2,808	-	-	-
Vallibel One PLC	100,000	9,812	9,880	-	-	-
		15,710	14,888		-	-
Total value of financial assets at FVTPL		405,125	337,476		358,382	295,824
Marked to market valuation loss		(67,649)			(62,558)	
Fair value of financial assets designated at FVTPL		337,476			295,824	

22.3 GICS analysis of equity securities

Application Software	-	-	1,362	793
Banks	825	854	270	250
Capital Goods	133,850	118,395	67,360	46,709
Consumer Durables & Apparel	30,023	18,809	9,030	6,235
Commercial & Professional Services	-	-	3,906	3,793
Consumer Services	75,072	63,127	60,098	53,966
Diversified Financials	21,368	15,351	78,954	84,166
Food Beverage & Tobacco	80,210	63,393	84,396	56,948
Health Care Equipment & Services	2,488	2,132	4,385	3,878
Household & Personal Products	-	-	2,132	1,943
Insurance	13,789	10,200	8,526	6,265
Materials	30,902	29,438	16,744	13,367
Real Estate	-	-	16,664	13,123
Retailing	890	890	625	601
Telecommunication Services	-	-	252	250
Trading	-	-	3,677	3,536
Utilities	15,710	14,888	-	-
Total value of financial assets at FVTPL	405,125	337,476	358,382	295,824
Marked to market valuation loss	(67,649)		(62,558)	
Fair value of financial assets designated at FVTPL	337,476		295,824	

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)

22.4 Quoted Equities and Unit Trusts

Group

As at 31 December	2025			2024		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Application Software						
hSenid Business Solutions PLC	-	-	-	65,000	1,362	793
		-	-		1,362	793
Banks						
Amana Bank PLC	-	-	-	10,212	270	250
Hatton National Bank PLC	2,143	825	854	-	-	-
		825	854		270	250
Capital Goods						
Access Engineering PLC	47,983	3,501	3,517	-	-	-
Brown & Company PLC	175,000	38,911	28,350	150,000	35,244	26,738
Cable Solutions PLC	2,250,000	33,985	33,300	-	-	-
Colombo Dockyard PLC	-	-	-	90,000	7,105	5,931
E B Creasy & Company PLC	-	-	-	26,660	830	765
John Keells Holdings PLC	913,710	19,592	19,828	21,371	3,344	4,830
Lanka Tiles PLC	135,000	7,779	6,737	7,500	734	438
Lanka Walltiles PLC	153,467	8,239	7,673	-	-	-
Lankem Ceylon PLC	-	-	-	13,500	1,252	1,080
Luminex PLC	92,354	638	628	-	-	-
Mackwoods Energy PLC	-	-	-	1,350,000	4,194	2,970
MTD Walkers PLC	-	-	-	165,000	6,751	-
Royal Ceramics Lanka PLC	500,000	24,549	23,000	202,000	11,251	8,787
		137,194	123,033		70,705	51,539
Consumer Durables & Apparel						
Blue Diamonds Jewellery Worldwide PLC-Non Voting	5,250,000	3,125	1,575	5,250,000	3,125	1,575
Dankotuwa Porcelain PLC	-	-	-	10,000	259	235
Hayleys Fabric PLC	120,502	6,065	4,904	-	-	-
Hela Apparel Holdings PLC	3,977,150	20,833	12,329	750,000	5,646	4,425
		30,023	18,808		9,030	6,235
Commercial & Professional Services						
E M L Consultants PLC	-	-	-	925,000	3,906	3,793
		-	-		3,906	3,793
Consumer Services						
Anilana Hotels & Properties PLC	750,000	1,106	750	750,000	1,106	675
Asian Hotels and Properties PLC	70,000	4,798	4,200	8,097	462	514
Bansei Royal Resorts Hikkaduwa PLC	140,282	3,110	3,184	-	-	-
Beruwala Resorts PLC	1,000,000	4,145	3,800	-	-	-
Browns Beach Hotels PLC	50,000	1,400	1,290	-	-	-
Citrus Leisure PLC	3,700,000	17,626	15,910	2,250,000	11,281	10,125
Eden Hotel Lanka PLC	775,040	13,290	10,541	235,249	5,288	3,905
Galadari Hotels (Lanka) PLC	150,000	2,950	2,775	-	-	-
Hikkaduwa Beach Resort PLC	2,247,143	8,731	9,213	420,952	2,413	1,515
Mahaweli Reach Hotels PLC	23,670	525	457	-	-	-
Palm Garden Hotels PLC	30,000	2,549	2,007	44,289	2,775	3,251
The Kingsbury PLC	-	-	-	2,175,454	23,483	26,105
Waskaduwa Beach Resort PLC	4,500,000	14,841	9,000	3,750,000	13,291	7,875
		75,071	63,127		60,099	53,965

As at 31 December	2025			2024		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Diversified Financials						
Ceylon Investment PLC	-	-	-	101,907	8,492	7,480
Galle Face Capital Partners PLC	21,150	1,006	2,073	20,659	1,006	897
HNB Finance PLC	-	-	-	42,500	355	238
Lanka Credit & Business Finance PLC	-	-	-	1,136,561	4,107	3,069
LOLC Finance PLC	575,000	10,159	3,278	575,000	10,159	3,853
LOLC Holdings PLC	19,998	10,046	11,199	95,000	46,984	65,574
Nation Lanka Finance PLC	500,000	200	50	500,000	200	150
Shaw Wallace Investments PLC	89,311	1,135	982	14,311	172	132
SMB Finance PLC-Non Voting	-	-	-	8,500,000	4,050	2,550
Softlogic Finance PLC	-	-	-	122,056	4,215	720
Vallibel Finance PLC	-	-	-	10,001	393	533
		22,546	17,582		80,133	85,196
Food Beverage & Tobacco						
Agalawatta Plantations PLC	-	-	-	208,325	10,048	9,708
Browns Investments PLC	6,750,000	59,389	44,550	5,000,000	45,894	35,500
Ceylon Cold Stores PLC	55,000	5,951	5,995	-	-	-
Hapugastenne Plantations PLC	15,000	1,273	795	-	-	-
HVA Foods PLC	3,251,020	12,445	11,053	565,789	2,831	2,320
Kotmale Holdings PLC	-	-	-	2,233	926	980
Lanka Milk Foods PLC	270	18	18	10,000	320	468
Lucky Lanka Milk Processing Company PLC	-	-	-	2,514,546	14,958	-
Madulsima Plantations PLC	50,000	700	600	-	-	-
Raigam Wayamba Salterns PLC	-	-	-	293,839	2,161	2,145
Renuka Agri Foods PLC	-	-	-	1,575,000	7,259	5,828
Tea Small Holder Factories PLC	8,190	434	381	-	-	-
		80,210	63,392		84,397	56,949
Health Care Equipment & Services						
Asiri Hospital Holdings PLC	50,000	1,793	1,500	5,000	210	129
Asiri Surgical Hospital PLC	-	-	-	124,860	1,685	1,498
E - Channelling PLC	40,000	695	632	104,000	1,584	1,435
Nawaloka Hospital PLC	-	-	-	50,000	245	220
The Lanka Hospitals Corporation PLC	-	-	-	7,500	661	596
		2,488	2,132		4,385	3,878
Household & Personal Products						
B P P L Holdings PLC	-	-	-	89,971	2,132	1,943
		-	-		2,132	1,943
Insurance						
Arpico Insurance PLC	-	-	-	10,000	300	265
Softlogic Capital PLC	2,000,000	13,789	10,200	1,000,000	8,226	6,000
		13,789	10,200		8,526	6,265
Materials						
AgStar PLC	-	-	-	300,000	2,646	2,490
Alumex PLC	21,511	441	439	-	-	-
Bogala Graphite Lanka PLC	-	-	-	45,002	3,479	2,750
CIC Holdings PLC-Non Voting	525,000	13,681	13,703	-	-	-
Dipped Products PLC	80,000	5,376	4,888	25,000	1,306	1,363
Ex-Pack Corrugated Cartons PLC	646,006	9,799	9,109	50	1	1
Haycarb PLC	-	-	-	67,000	6,213	5,715
Lanka Aluminium Industries PLC	6,278	304	307	-	-	-
Pelwatte Sugar Industries PLC	26,800	1,126	-	68,400	2,924	-
Richered Peries Export PLC	2,500	1,300	993	2,500	1,300	1,048
		32,027	29,439		17,869	13,367

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)

As at 31 December	2025			2024		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Real Estate						
Colombo Land & Development Company PLC	2,700	96	126	82,639	2,849	1,909
East West Properties PLC	-	-	-	610,000	7,043	6,771
Lanka Realty Investments PLC	-	-	-	321,876	6,833	4,474
Millennium Housing Developers PLC	-	-	-	10,000	36	31
		96	126		16,761	13,185
Retailing						
Ceylon Tea Brokers PLC	100,000	890	890	-	-	-
C M Holdings PLC	-	-	-	5,000	625	601
		890	890		625	601
Telecommunication Services						
Sri Lanka Telecom PLC	-	-	-	3,600	252	250
		-	-		252	250
Trading						
Tess Agro PLC	-	-	-	2,500,000	3,038	3,000
Tess Agro PLC-Non Voting	-	-	-	670,353	638	536
		-	-		3,676	3,536
Utilities						
LAUGFS Power PLC	50,000	810	700	-	-	-
LAUGFS Power PLC-Non Voting	150,000	1,858	1,500	-	-	-
Resus Energy PLC	314,971	6,637	14,741	254,971	3,407	7,139
Vallibel One PLC	100,000	9,813	9,880	-	-	-
		19,117	26,821		3,407	7,139
Total value of quoted equities		414,277	356,402		367,534	308,884
Marked to market valuation loss		(57,875)			(58,650)	
Fair value of financial assets designated at FVTPL		356,402			308,884	

22.5 GICS analysis of equity securities

As at 31 December	2025		2024	
	Total Cost	Fair Value	Total Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Application Software	-	-	1,362	793
Banks	825	854	270	250
Capital Goods	137,194	123,033	70,705	51,538
Consumer Durables & Apparel	30,023	18,809	9,030	6,235
Commercial & Professional Services	-	-	3,906	3,793
Consumer Services	75,072	63,127	60,099	53,965
Diversified Financials	22,546	17,582	80,133	85,196
Food Beverage & Tobacco	80,210	63,393	84,396	56,949
Health Care Equipment & Services	2,488	2,132	4,385	3,878
Household & Personal Products	-	-	2,132	1,943
Insurance	13,789	10,200	8,526	6,265
Materials	32,027	29,438	17,869	13,367
Real Estate	96	126	16,761	13,185
Retailing	890	890	625	601
Telecommunication Services	-	-	252	250
Trading	-	-	3,677	3,536
Utilities	19,117	26,821	3,407	7,139
Total value of financial assets at FVTPL	414,277	356,402	367,534	308,884
Marked to market valuation loss	(57,875)		(58,650)	
Fair value of financial assets designated at FVTPL	356,402		308,884	

23. LOANS AND RECEIVABLES AT AMORTISED COST

Accounting Policy

As per SLFRS 9, Loans and receivables to the Companies are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

As per SLFRS 9 "Loans and receivables to the Companies" comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

After initial measurement, loans and receivables are subsequently measured at amortised cost using EIR, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss 'Impairment charges for loans and receivables and other losses'.

Lease and Hire Purchase Receivables

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

'Day 1' Profit or Loss

Staff loans granted at below market interest rates are recognised at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans subsequently measured at amortised costs.

Write-off of Loans and Receivables

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in fully, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Re-negotiated Loans and Receivables

Where possible, the Group/Company seeks to re-structure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreements of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. The management continuously reviews the re-negotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans and receivables continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be subjected to an individual or collective impairment assessment calculated using the original EIR.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Bills receivable	23.2	203,568	210,273	203,568	210,273
Loans and receivables to customers	23.3	25,979,558	16,463,412	25,980,813	16,467,906
Lease and hire purchase receivable	23.4	15,132,634	11,676,654	15,132,634	11,676,654
Gross loans and receivables		**41,315,760**	**28,350,339**	**41,317,015**	**28,354,833**
Less : Allowance for impairment losses					
Bills receivable	23.2	162,456	151,315	162,456	151,315
Loans and receivables to customers	23.3	1,043,083	1,465,479	1,043,083	1,465,479
Lease and hire purchase receivable	23.4.3	524,638	791,537	524,638	791,537
		1,730,177	**2,408,331**	**1,730,177**	**2,408,331**
Net loans and receivables		**39,585,583**	**25,942,008**	**39,586,838**	**25,946,502**

23. LOANS AND RECEIVABLES AT AMORTISED COST (Contd.)

23.1 Analysis of loans and receivables

23.1.1 Product wise analysis of loans and receivables

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Finance lease/ijarah		12,719,118	11,411,480	12,719,118	11,411,480
Hire purchase/murabaha		189,167	199,063	189,167	199,063
Term loans		16,854,606	8,093,666	16,855,861	8,098,160
Personal loans		556,989	664,951	556,989	664,951
Margin trading		1,702,277	1,989,290	1,702,277	1,989,290
Micro finance		110,544	112,860	110,544	112,860
Pawning		8,318,409	4,980,481	8,318,409	4,980,481
Loans against fixed deposits		661,082	688,275	661,082	688,275
Bill Discounting		203,568	210,273	203,568	210,273
Gross loans and receivables		**41,315,760**	**28,350,339**	**41,317,015**	**28,354,833**

23.1.2 Sector/Industry wise analysis of loans and receivables

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Agriculture		5,029,128	1,758,054	5,029,128	1,758,054
Manufacturing		2,438,032	1,762,559	2,438,032	1,762,559
Tourism		1,303,191	792,201	1,303,191	792,201
Transportation		11,991,514	5,790,924	11,991,514	5,790,924
Construction		4,388,626	2,966,853	4,388,626	2,966,853
Trade		2,025,583	2,886,082	2,025,583	2,886,082
Services		2,562,067	568,400	2,563,322	572,894
Financials		6,407,976	4,145,748	6,407,976	4,145,748
Consumption		5,169,643	7,679,518	5,169,643	7,679,518
Gross loans and receivables		**41,315,760**	**28,350,339**	**41,317,015**	**28,354,833**

23.1.3 Contractual maturity analysis of loans and receivables - 2025

	Company/Group Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	Total Rs.'000
Agriculture	3,887,529	1,141,409	190	**5,029,128**
Manufacturing	1,254,840	1,055,987	127,204	**2,438,031**
Tourism	166,458	744,434	392,300	**1,303,192**
Transportation	1,092,899	10,857,110	41,505	**11,991,514**
Construction	767,233	3,558,961	62,432	**4,388,626**
Trade	673,128	1,209,289	143,167	**2,025,584**
Services	907,329	1,592,008	62,730	**2,562,067**
Financials	3,346,884	2,724,554	336,537	**6,407,975**
Consumption	3,861,895	1,234,955	72,793	**5,169,643**
Gross loans and receivables	**15,958,195**	**24,118,707**	**1,238,858**	**41,315,760**

23.1.4 Contractual maturity analysis loans and receivables - 2024

	Company/Group			
	Within one year Rs.'000	**1 - 5 Years Rs.'000**	**Over 5 years Rs.'000**	**Total Rs.'000**
Agriculture	2,958,168	610,876	51,608	**3,620,652**
Manufacturing	1,409,898	649,951	90,587	**2,150,436**
Tourism	543,030	230,248	34,807	**808,085**
Transportation	1,885,487	3,350,739	621,049	**5,857,275**
Construction	1,292,166	1,518,079	251,291	**3,061,536**
Trade	1,622,885	1,388,245	237,764	**3,248,894**
Services	446,274	209,679	21,100	**677,053**
Financials	3,117,681	1,253,749	299,616	**4,671,046**
Consumption	3,010,799	1,085,371	159,192	**4,255,362**
Gross loans and receivables	**16,286,388**	**10,296,937**	**1,767,014**	**28,350,339**

23.2 Bills receivable

		Company		Group	
As at 31 December	**Note**	**2025 Rs.'000**	**2024 Rs.'000**	**2025 Rs.'000**	**2024 Rs.'000**
Bills discounted		203,568	210,273	203,568	210,273
Less : Allowance for impairment losses					
Individual impairment	23.2.2	157,434	148,086	157,434	148,086
Collective impairment	23.2.2	5,022	3,229	5,022	3,229
Net bills receivables		**41,112**	**58,958**	**41,112**	**58,958**

23.2.1 Analysis of bill discounting on maximum exposure to credit risk as at 31st December 2025

	Stage 1 Rs.'000	**Stage 2 Rs.'000**	**Stage 3 Rs.'000**	**Total Rs.'000**
Gross receivables	-	-	203,568	**203,568**
Individual impairment	-	-	(157,434)	**(157,434)**
Collective impairment	-	-	(5,022)	**(5,022)**
As at 31 December	**-**	**-**	**41,112**	**41,112**

23.2.2 Movement of impairment during the year 2025

	Stage 1 Rs.'000	**Stage 2 Rs.'000**	**Stage 3 Rs.'000**	**Total Rs.'000**
Individual				
As at 01 January	-	-	148,086	**148,086**
Charge during the year	-	-	9,348	**9,348**
As at 31 December	**-**	**-**	**157,434**	**157,434**
Collective				
As at 01 January	-	44	3,185	**3,229**
Charge during the year	-	(44)	1,837	**1,793**
As at 31 December	**-**	**-**	**5,022**	**5,022**

23.2.3 Analysis of bill discounting on maximum exposure to credit risk as at 31st December 2024

	Stage 1 Rs.'000	**Stage 2 Rs.'000**	**Stage 3 Rs.'000**	**Total Rs.'000**
Gross receivables	-	1,505	208,768	**210,273**
Individual impairment	-	-	(148,086)	**(148,086)**
Collective impairment	-	(44)	(3,185)	**(3,229)**
As at 31 December	**-**	**1,461**	**57,497**	**58,958**

23. LOANS AND RECEIVABLES AT AMORTISED COST (Contd.)

23.2.4 Movement of impairment during the year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	49,699	**49,699**
Charge during the year	-	-	98,387	**98,387**
As at 31 December	**-**	**-**	**148,086**	**148,086**
Collective				
As at 01 January	191	-	117,269	**117,460**
Charge during the year	(191)	44	(114,084)	**(114,230)**
As at 31 December	**-**	**44**	**3,185**	**3,229**

23.3 Loans and receivables to customers

		Company		Group	
As at 31 December	Note	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Term loans and receivables		25,979,558	16,463,412	25,980,813	16,467,906
Less : Allowance for impairment losses					
Individual impairment	23.3.2	557,970	993,460	557,970	993,460
Collective impairment	23.3.2	485,114	472,019	485,114	472,019
Net loans and receivables		**24,936,474**	**14,997,933**	**24,937,729**	**15,002,427**

23.3.1 Analysis of term loans receivables on maximum exposure to credit risk as at 31st December 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	20,046,478	3,338,513	2,594,567	**25,979,558**
Individual impairment	-	-	(557,970)	**(557,970)**
Collective impairment	(106,618)	(65,854)	(312,641)	**(485,114)**
As at 31 December	**19,939,860**	**3,272,659**	**1,723,956**	**24,936,475**

23.3.2 Movement of impairment during the year 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	993,460	**993,460**
Charge during the year	-	-	(435,490)	**(435,490)**
As at 31 December	**-**	**-**	**557,970**	**557,970**
Collective				
As at 01 January	45,106	29,369	397,544	**472,019**
Charge during the year	61,512	36,485	(84,903)	**13,095**
As at 31 December	**106,618**	**65,854**	**312,641**	**485,114**

23.3.3 Analysis of term loans receivables on maximum exposure to credit risk as at 31st December 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	10,894,021	2,093,861	3,475,530	**16,463,412**
Individual impairment	-	-	(993,460)	**(993,460)**
Collective impairment	(45,106)	(29,369)	(397,544)	**(472,019)**
As at 31 December	**10,848,915**	**2,064,492**	**2,084,526**	**14,997,933**

23.3.4 Movement of impairment during the year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	690,269	**690,269**
Charge during the year	-	-	303,191	**303,191**
As at 31 December	**-**	**-**	**993,460**	**993,460**
Collective				
As at 01 January	**23,951**	**32,674**	**921,682**	**978,307**
Charge during the year	21,155	(3,305)	(524,138)	**(506,288)**
As at 31 December	**45,106**	**29,369**	**397,544**	**472,019**

23.4 Lease and hire purchase receivable

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
23.4.1 Finance lease/Hire purchase receivable within one year from the reporting date					
Total lease and hire purchase rental receivable		18,692,869	15,030,071	18,692,869	15,030,071
Less : lease and hire purchase rental receivable after one year		12,559,628	9,844,730	12,559,628	9,844,730
Rental receivable within one year from the reporting date		6,133,240	5,185,341	6,133,240	5,185,341
Less : Unearned lease and hire purchase income		1,897,155	1,676,822	1,897,155	1,676,822
		4,236,086	3,508,519	4,236,086	3,508,519
23.4.2 Finance lease/hire purchase receivable after one year from the reporting date					
Rental receivable after one year from the reporting date		12,559,628	9,844,730	12,559,628	9,844,730
Less : Unearned lease and hire purchase income		1,663,080	1,676,595	1,663,080	1,676,595
		10,896,549	8,168,136	10,896,549	8,168,136
Gross investment in leases and hire purchase		**15,132,634**	**11,676,654**	**15,132,634**	**11,676,654**
23.4.3 Lease and hire purchase receivable					
Gross investment in leases and hire purchase		15,132,634	11,676,654	15,132,634	11,676,654
Less : Allowance for impairment losses					
Individual impairment	23.4.5	422,485	595,744	422,485	595,744
Collective impairment	23.4.5	102,153	195,794	102,153	195,794
Net investment in leases and hire purchase		**14,607,996**	**10,885,117**	**14,607,996**	**10,885,117**

23. LOANS AND RECEIVABLES AT AMORTISED COST (Contd.)

23.4.4 Analysis of lease and hire purchase receivable on maximum exposure to credit risk as at 31st December 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	11,479,199	2,477,953	1,175,482	**15,132,634**
Individual impairment	-	-	(422,485)	**(422,485)**
Collective impairment	(35,277)	(20,728)	(46,148)	**(102,153)**
As at 31 December	**11,443,922**	**2,457,225**	**706,849**	**14,607,996**

23.4.5 Movement of impairment during the year 2025

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	595,744	**595,744**
Charge during the year	-	-	(173,259)	**(173,259)**
As at 31 December	**-**	**-**	**422,485**	**422,485**
Collective				
As at 01 January	75,142	30,969	89,683	**195,793**
Charge during the year	(39,865)	(10,241)	(43,535)	**(93,640)**
As at 31 December	**35,277**	**20,728**	**46,148**	**102,153**

23.4.6 Analysis of lease and hire purchase receivable on maximum exposure to credit risk as at 31st December 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Gross receivables	8,730,499	1,578,151	1,368,004	**11,676,654**
Individual impairment	-	-	(595,744)	**(595,744)**
Collective impairment	(75,142)	(30,969)	(89,683)	**(195,794)**
As at 31 December	**8,655,358**	**1,547,182**	**682,577**	**10,885,116**

23.4.7 Movement of impairment during the year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Individual				
As at 01 January	-	-	158,213	**158,213**
Charge during the year	-	-	437,531	**437,531**
As at 31 December	**-**	**-**	**595,744**	**595,744**
Collective				
As at 01 January	42,857	49,599	573,081	**665,537**
Charge during the year	32,284	(18,630)	(483,399)	**(469,745)**
As at 31 December	**75,142**	**30,969**	**89,683**	**195,792**

23.4.8 Credit exposure and expected credit loss (impairment provision) movement - Stage wise

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000
Financial assets measured at amortised cost								
Loans and receivables								
As at 01 January 2024	10,406,744	66,999	3,775,547	82,273	7,531,909	2,510,213	21,714,200	2,659,485
Transfer from Stage 1	231,035	2,234	(188,641)	(1,843)	(42,394)	(391)	-	-
Transfer from Stage 2	(761,898)	(15,397)	846,833	16,661	(84,935)	(1,264)	-	-
Transfer from Stage 3	(46,200)	(4,500)	(40,227)	(5,489)	86,427	9,989	-	-
New assets originated or purchased	15,563,687	99,432	2,074,845	23,124	139,595	5,543	17,778,127	128,099
Financial assets derecognized or repaid	4,574,484	23,720	2,234,047	26,509	2,262,466	340,984	9,070,997	391,213
Write-off loans	-	-	-	-	(53,845)	53,845	(53,845)	53,845
Changes in facility amount	(1,132,955)	(3,146)	(469,527)	8,015	(414,663)	(70,676)	(2,017,145)	(65,807)
Reschedule	(61,409)	(7,946)	(91,265)	(19,818)	152,674	27,764	-	-
As at 31 December 2024	**19,624,520**	**120,248**	**3,673,518**	**60,384**	**5,052,302**	**2,227,701**	**28,350,340**	**2,408,333**
Transfer from Stage 1	186,379	911	(174,303)	(894)	(12,076)	(17)	-	-
Transfer from Stage 2	(1,316,768)	(18,925)	1,401,325	21,602	(84,557)	(2,677)	-	-
Transfer from Stage 3	(193,134)	(7,196)	(80,490)	(4,517)	273,624	11,713	-	-
New assets originated or purchased	23,888,602	111,604	3,845,588	56,378	341,559	8,268	28,075,749	176,250
Financial assets derecognized or repaid	8,610,497	36,598	2,479,135	28,300	845,610	107,022	11,935,242	171,920
Write-off loans	-	-	-	-	565,327	565,327	565,327	565,327
Changes in facility amount	(2,053,427)	28,148	(369,875)	18,040	(186,459)	70,969	(2,609,761)	117,157
Reschedule	-	-	(161)	(29)	161	29	-	-
As at 31 December 2025	**31,525,675**	**141,896**	**5,816,467**	**86,584**	**3,973,617**	**1,501,699**	**41,315,759**	**1,730,179**

24. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

As per SLFRS 9, this comprises debt instruments measured at FVTOCI and equity instruments designated at FVTOCI.

Debt instruments at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVTOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVTOCI when they meet the definition of Equity under Sri Lanka Accounting Standard - LKAS 32 - 'Financial Instruments: Presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVTOCI are not subject to an impairment assessment.

Available-for-sale financial investments included equity and debt securities. Equity investments classified as available-for-sale were those which were neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category were intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group had not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses were recognised in Equity through OCI in the 'Available-for-sale reserve'. When these financial investments were disposed, the cumulative gain or loss previously recognised in Equity was recycled to profit or loss through 'Operating income'. Interest earned while holding available-for-sale financial investments was reported as 'Interest income' using the EIR. Dividend earned while holding available-for-sale financial investments were recognised in the Income Statement as 'Operating income' when the right to receive the payment had been established.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities	24.1	-	-	108,550	101,699
Equity securities - Quoted	24.2	-	16,500	-	16,500
Equity securities - Unquoted	24.3	54	54	54	54
Unit trust		-	-	18,230	16,805
Net financial investments at FVTOCI		54	16,554	126,834	135,058

24.1 Government Securities

Treasury bonds		-	-	108,550	101,699
		-	-	108,550	101,699

24.2 Equity Securities - Quoted

As at 31 December	2025			2024		
	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Company						
Power and Energy						
LVL Energy Fund PLC	-	-	-	2,500	20,000	16,500
		-	-		20,000	16,500
Group						
Power and Energy						
LVL Energy Fund PLC	-	-	-	2,500	20,000	16,500
		-	-		20,000	16,500

24.3 Equity Securities - Unquoted

As at 31 December	Company						
	2025				2024		
	Holding %	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Mega Containers Limited	6.21	1,000,000	10,000	-	1,000,000	10,000	-
Ceylinco Investment Company Limited	46.35	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka Limited(CRIB)	0.22	540	54	54	540	54	54
Ranwan Industries (Pvt) Limited	5.00	165,790	3,600	-	165,790	3,600	-
			18,654	54		18,654	54
Adjustment due to impairment			(18,600)			(18,600)	
Total unquoted investments			54			54	

24.4 Equity Securities - Unquoted

As at 31 December	Group						
	2025				2024		
	Holding %	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Mega Containers Limited	6.21	1,000,000	10,000	-	1,000,000	10,000	-
Ceylinco Investment Company Limited	46.35	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka Limited (CRIB)	0.22	540	54	54	540	54	54
Ranwan Industries (Pvt) Limited	5.00	165,790	3,600	-	165,790	3,600	-
			18,654	54		18,654	54
Adjustment due to impairment			(18,600)			(18,600)	
Total unquoted investments			54			54	

24.4.1 Although the Company has acquired 46.35% equity capital of Ceylinco Investment Company Limited, the investment has not been classified as an associate company due to pending court decision on the ownership structure of the Company.

25. FINANCIAL INVESTMENTS AT AMORTISED COST

Accounting Policy

As per SLFRS 9, 'Financial investments' are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' while the losses arising from impairment are recognised in 'impairment charges for loans and other losses' in the Statement of Profit or Loss.

As per previously classified under LKAS 39, this included financial investments held-to-maturity

Held-to-maturity financial investments were non-derivative financial assets with fixed or determinable payments and fixed maturities, that the Group had the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. After initial measurement, held-to-maturity financial investments were subsequently measured at amortised cost using the EIR,
less provision for impairment. EIR is calculated by taking into account any discount or premium on acquisition and fees. The amortisation is included in 'Interest Income' while the losses arising from impairment of such investments are recognised in 'Impairment charges and other losses' in the Statement of Profit or Loss.

	Company		Group	
As at 31 December	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Government securities	4,425,177	3,473,969	5,051,559	4,498,689
	4,425,177	3,473,969	5,051,559	4,498,689

25.1 Government Securities

	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Treasury bills	-	2,612,017	88,392	3,060,932
Treasury bonds	4,425,177	861,952	4,963,167	1,437,757
	4,425,177	3,473,969	5,051,559	4,498,689

25.2 Government securities allocated for the liquidity requirement

	Company	
As at 31 December	2025 Rs.'000	2024 Rs.'000
Sri Lanka Government Treasury Bills and Treasury Bonds	3,760,381	8,964,660
	3,760,381	8,964,660

26. REAL ESTATE STOCK

Accounting Policy

Property acquired or being constructed for sale in the ordinary course of the business. They are measured at the lower of cost or net realisable value. The cost comprises all costs of purchase, costs of conversion and the costs incurred in bringing them to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion necessary to make the sale.

	Company		Group	
As at 31 December	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Real estate stock	26,029	40,446	26,029	40,446
	26,029	40,446	26,029	40,446

27. INVESTMENT IN ASSOCIATE COMPANY

Accounting Policy

Investment in associate is accounted for at cost, net of any impairment losses which are charged to the Statement of Profit or Loss and it is in accordance with the Sri Lanka Accounting Standard - LKAS 28 - 'Investment in Associates and Joint Ventures' in the Company's Financial Statements and cost less impairment if any in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but it subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments'.

As at 31 December					Company			
					2025		2024	
	Country of Incorporation	Principal Activity	No. of Shares	Holding	Cost	Fair Value	Cost	Fair Value
					Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unquoted								
Lanka Securities (Pvt) Ltd	Sri Lanka	Share Brokering	5,212,543	29%	81,084	81,084	81,084	81,084
Balance as at 31 December					81,084		81,084	

27.1 Carrying Value on Equity Basis

As at 31 December	Group Lanka Securities (Pvt) Ltd 2025 Rs.'000	 2024 Rs.'000
Net assets at the beginning of the year	178,170	168,908
Add : Profit/(loss) before tax accruing to the group	108,649	13,232
Less : Income tax	(32,605)	(3,970)
Add : Other comprehensive income for the year, net of Income Tax	989	-
Less : Dividend received	(73,650)	-
Less : Prior year adjustment	(3,587)	-
Net assets at the end of the year	177,966	178,170

27.2 Summarized Financial Information of Associate

For the year ended 31 December	Lanka Securities (Pvt) Ltd 2025 Rs.'000	 2024 Rs.'000
Income	851,556	354,247
Less : Expenses	476,905	308,620
Profit/(loss) before taxation	374,651	45,627
Less : Income tax expense/(reversal)	112,430	13,688
Profit/(loss) for the period	**262,221**	**31,939**
Defined Benefit Plan Actuarial Gains/(Losses)	3,409	-
Tax impact on Actuarial (Loss)/Gain	-	-
Total comprehensive income/(expense) for the period	**265,630**	**31,939**

As at 31 December	2025 Rs.'000	2024 Rs.'000
Total assets	1,364,136	1,613,753
Total liabilities	750,462	1,014,396

28. INVESTMENT IN SUBSIDIARIES

Accounting Policy

Investment in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss and it is in accordance with the Sri Lanka Accounting Standards - LKAS 27 - 'Consolidated and Separate Financial Statements'.

Subsidiaries are entities that are controlled by the Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.
Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position but separate from parent shareholder's equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this result in a defect balance. Acquisition of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

Subsidiaries are not quoted in the Colombo Stock Exchange (CSE) and the Directors' valuation of investment in subsidiaries has been carried out on fair value basis.

The subsidiary MBSLI has not met the minimum regulatory 'Total Available Capital' (TAC) to carry out general insurance business as at 31st December 2025. The Life Insurance business also operates with a deficit of TAC as of 31st December 2025; however, no new Life Insurance policies are underwritten by the company, and measures have been taken to comply with the requirements stipulated by the Insurance Regulator, IRCSL.

The regulatory compliance as at 31 December 2025

General Insurance Segment	**Actual**	**Requirement**
Total available capital (TAC) Rs. '000	340,250	500,000
Risk based capital adequacy ratio (CAR)	208%	160%
Life Insurance Segment		
Total available capital (TAC) Rs. '000	359,723	500,000
Risk based capital adequacy ratio (CAR)	604%	160%

The consolidated financial statements of the Group include:

28.1 As at 31 December

	Note	Principal activity	Country of incorporation	2025 equity interest %	2025 Cost Rs.'000	2025 Fair Value Rs.'000	2024 equity interest %	2024 Cost Rs.'000	2024 Fair Value Rs.'000
MBSL Insurance Company Ltd	28.2	Insurance	Sri Lanka	53.81	1,016,096	318,567	53.81	1,016,096	348,260
Less : Impairment provision	28.2				697,528			667,835	
Balance as at 31 December					318,568			348,261	

28.2 The following table summarises the investment made in subsidiary-MBSLI:

	MBSL Insurance Rs.'000
Cost	
Balance as at 01 January 2024	1,016,096
Investment made during the year	-
Balance as at 31 December 2024	**1,016,096**
Investment made during the year	-
Balance as at 31 December 2025	**1,016,096**
Impairment provision	
Balance as at 01 January 2024	(663,400)
Impairment reversal/(charge)	(4,435)
Balance as at 31 December 2024	**(667,835)**
Impairment reversal/(charge)	(29,693)
Balance as at 31 December 2025	**(697,528)**
As at 31 December 2024	**348,261**
As at 31 December 2025	**318,568**

The following table summaries the information relating to the subsidiary and proportion of equity interest held by non-controlling interests. This information is based on amounts before inter company eliminations.

28.3 Summarized Profit or Loss Statements of MBSL Insurance Company Ltd

	2025 Total Rs.'000	2024 Total Rs.'000
Non-controlling interest (NCI) percentage (%)	**46.19%**	**46.19%**
Net operating income	69,788	390,756
Operating expenses	(343,500)	(378,439)
Profit before income tax	**(273,712)**	**12,317**
Income tax (expense)/reversal	(3,314)	(824)
Profit/(loss) for the year	**(277,026)**	**11,493**
Profit allocated to non-controlling interest (NCI)	(127,958)	5,309
Other comprehensive income allocated to non-controlling interest (NCI)	1,661	1,333

28.4 Summarized Statement of Financial Position of MBSL Insurance Company Ltd

As at 31 December	2025 Rs.'000	2024 Rs.'000
Cash and cash equivalents	272,851	101,838
Placements with banks & financial institutions	624,530	657,129
Financial investments at fair value through profit or loss	18,926	13,060
Loans & receivables at amortised cost	1,255	4,494
Financial investments at amortised cost	753,163	1,143,224
Property, equipment and right-of-use assets	60,670	77,646
Deferred tax assets	695	8,578
Other assets	434,881	333,823
Total assets	**2,166,971**	**2,339,792**
Due to banks	4,583	-
Insurance contract liabilities-life	539,669	454,704
Insurance contract liabilities-non life	572,437	397,423
Other liabilities	382,207	510,744
Retirement benefits obligations	10,577	10,955
Total liabilities	**1,509,473**	**1,373,826**
Net assets value	**657,498**	**965,966**
Carrying amount of non-controlling interest (NCI)	**303,698**	**446,180**

28.5 Valuation assumptions

The Subsidiary MBSLI valuation of Life segment is based on the absolute valuation methodology, Net Asset Value (NAV) which is reflect in the financial position. Additional capital generated from the divestment of the life insurance portfolio will be redeployed to revive the General Insurance Business.

The non life segment of the Subsidiary MBSLI is valued based on the absolute valuation methodology, Net Asset Value (NAV) which is reflect in the financial position after incorporating the additional capital generated from the divestment of the life insurance portfolio.

28.6 Impairment Provision/Reversal

Impairment of Investment in Subsidiary :

Recoverable amount of the investment in subsidiary at the end of the financial position date as Rs. 319 Mn. Accordingly impairment charge of Rs: 29.7 impairment charge (2024 impairment charge : Rs: .004 Mn) was recorded during the year 2025 in the Company's Financial Statements.

29. INVESTMENT PROPERTIES

Accounting Policy

Investment properties are properties held either to earn rental income or for capital appreciation or for both. But not for sale in the ordinary course of business, used in the production or supply of goods or service or for administrative purpose.

Basis of Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The carrying amount includes the cost of replacing part of an existing Investment Property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an Investment Property.

The Group adopts the cost model for subsequent measurement of investment properties in accordance with Sri Lanka Accounting Standard - LKAS 40 - 'Investment Property'. Accordingly, land classified as investment property is stated at cost, and buildings classified as investment property are stated at cost less any accumulated depreciation and any accumulated impairment losses. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated.

Derecognition

Investment Properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of derecognition.

As at 31 December	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Cost as at 01 January		140,559	145,247	140,559	145,247
Less: Provision		95,343	98,301	95,343	98,301
Cost as at 31 December	29.1	45,216	46,946	45,216	46,946
Accumulated depreciation as at 31 December		45,216	46,946	45,216	46,946
Net book value as at 31 December		**-**	**-**	**-**	**-**
Accumulated depreciation					
Balance as at 01 January		46,946	46,243	46,946	46,243
Charge for the year		-	703	-	703
Less: Disposals		(1,730)	-	(1,730)	-
Balance as at 31 December		45,216	46,946	45,216	46,946
Rental income derived from investment property		Nil	Nil	Nil	Nil
Direct operating expenses arising from investment property that generated rental income during the year		Nil	Nil	Nil	Nil
Direct operating expenses arising from investment property that did not generate rental income during the year		Nil	Nil	Nil	Nil

29.1 Investment Properties Held by the Company/Group

As at 31 December **2025**

Location	No of Buildings	Buildings sq.ft	Extent Perches	Fair Value Hierarchy	Cost/Carrying amount Land Rs.'000	Cost/Carrying amount Buildings Rs.'000	Cost/Carrying amount Total Rs.'000	Net Book Value Provision Rs.'000	Net Book Value Accumulated Depreciation Rs.'000	Net Book Value Total Rs.'000	Fair Value Land Rs.'000	Fair Value Buildings Rs.'000	Fair Value Total Rs.'000
No 102 & 104, Dam Street, Colombo 12. (Note.29.3)	1	20,368	1R-10.7P	Level 3	17,970	11,989	29,959	18,418	11,541	-	170,000	-	170,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	84,000	-	84,000
Fingara town & country Club, No.50/21, 50/22, Old Kesbewa Road, Boralesgamuwa (Note.29.3)	1		2A-1R-4.35P	Level 3	65,604	44,396	110,000	76,325	33,675	-	350,000	119,809	469,809
					84,174	**56,385**	**140,559**	**95,343**	**45,216**	**-**	**604,000**	**119,809**	**723,809**

29.2 Investment Properties Held by the Company/Group

As at 31 December **2024**

Location	No of Buildings	Buildings sq.ft	Extent Perches	Fair Value Hierarchy	Cost/Carrying amount Land Rs.'000	Cost/Carrying amount Buildings Rs.'000	Cost/Carrying amount Total Rs.'000	Net Book Value Provision Rs.'000	Net Book Value Accumulated Depreciation Rs.'000	Net Book Value Total Rs.'000	Fair Value Land Rs.'000	Fair Value Buildings Rs.'000	Fair Value Total Rs.'000
No 385/1 and 385/1, 1/1, Pitakotte Road, Pitakotte. (Note.29.3)	1	2,896	19.01P	Level 3	2,958	1,730	4,688	2,958	1,730	-	66,500	-	66,500
No 102 & 104, Dam Street, Colombo 12. (Note.29.3)	1	20,368	1R-10.7P	Level 3	17,970	11,989	29,959	18,418	11,541	-	170,000	-	170,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	84,000	-	84,000
Fingara town & country Club, No.50/21, Old Kesbewa Road, Boralesgamuwa. (Note.29.3)	1		2A-1R-4.35P	Level 3	65,604	44,396	110,000	76,325	33,675	-	350,000	119,809	469,809
					87,132	**58,115**	**145,247**	**98,301**	**46,946**	**-**	**670,500**	**119,809**	**790,309**

29. INVESTMENT PROPERTIES (Contd.)

29.3

Name of the Professional Valuer	Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs
Mr. Chulananda Wellappili. Chartered Valuation Surveyor of Sri Lanka	No 102 & 104, Dam Street, Colombo 12.	Income Basis Method Price Per Square Foot Depreciation Rate Capitalizing Rate Market Value of the Lease	 LKR.150/-,200/-,225/-,250/- 40% 7% LKR. 176,000,000/-
Ms. K P S K Chandani. Incorporated & Registered Valuer	Kumbuththukuliya watte, Bangadeniya Road, Puttalam.	Market Comparable Method Price per perch Total Value of Land	 LKR. 275,000/- P.P. LKR. 84,000,000/-
Mr. P V W K Ariyasinghe. Incorporated & Registered Valuer	Fingara town & country Club, No.50/21, 50/22, Old Kesbewa Road, Boralesgamuwa.	Contract Principle Method Price per perch Total Value of Land Total Fair Value of Existing Buildings & Improvements	 LKR. 800,000/- P.P. LKR. 350,000,000/- LKR. 100,000,000/-

Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurements to inputs
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	• Price per perch for land • Price per square foot for building • Depreciation rate for building	**Estimated fair value would increase/ (decrease) if;** • Price per perch of land would (increase/decrease) • Price per square foot for building would increase/(decrease) • Depreciation rate for building would increase/(decrease)

"A fresh valuation has been obtained through the chief valuation department for the investment property at Dam Street and the legal department of UDA is to submit a board paper to the UDA Board requesting the approval to transfer MBSL lease hold rights to the present tenants of the Dam Street property after obtaining the further legal clearance from their end."

30. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting Policy

Basis of Recognition

Property and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

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

Basis of Measurement

An item of property and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property & equipment.

The Company and the Group apply the cost model to property & equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property and equipment are charged to the Statement of Profit or Loss as incurred.

Repairs and Maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in ‘other operating income’ in the Statement of Profit or Loss in the year the asset is de-recognised.

Borrowing costs

There were no capitalised borrowing costs relating to the acquisition of property & equipment during the year.

30. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (Contd.)

30.1 Company

	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right -of -use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost								
Balance as at 01 January 2024	14,000	-	118,950	-	323,530	411,903	670,066	1,538,449
Additions during the year	-	-	-	-	33,709	15,050	89,585	138,344
Disposals during the year	-	-	(2,079)	-	(150)	(2,743)	(35,142)	(40,114)
Adjustment due to verification	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	14,000	-	116,871	-	357,089	424,210	724,509	1,636,679
Additions during the year	-	-	-	-	96,504	63,761	726,108	886,373
Disposals during the year	-	-	(25,166)	-	-	(2,787)	(262,025)	(289,978)
Balance as at 31 December 2025	14,000	-	91,705	-	453,593	485,184	1,188,592	2,233,074
Accumulated Depreciation								
Balance as at 01 January 2024	-	-	115,032	-	284,511	255,354	298,116	953,013
Charge for the year	-	-	3,918	-	22,311	32,785	190,166	249,180
On disposals	-	-	(2,079)	-	(149)	(2,457)	(28,184)	(32,869)
Balance as at 31 December 2024	-	-	116,871	-	306,673	285,682	460,098	1,169,324
Charge for the year	-	-	-	-	27,219	32,602	203,013	262,834
On disposals	-	-	(25,165)	-	-	(2,735)	(251,927)	(279,827)
Balance as at 31 December 2025	-	-	91,706	-	333,892	315,549	411,184	1,152,331
Net book value								
As at 31 December 2024								467,355
As at 31 December 2025								1,080,743

30.2 Group

	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right -of -use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost								
Balance as at 01 January 2024	14,000	-	119,188	-	408,348	523,944	816,842	1,882,322
Additions during the year	-	-	-	-	33,959	15,050	89,585	138,594
Disposals during the year	-	-	(2,079)	-	(150)	(2,743)	(35,142)	(40,114)
Balance as at 31 December 2024	14,000	-	117,109	-	442,157	536,251	871,285	1,980,802
Additions during the year	-	-	-	-	99,151	63,861	746,188	909,200
Disposals during the year	-	-	(25,166)	-	-	(2,787)	(266,512)	(294,465)
Balance as at 31 December 2025	14,000	-	91,943	-	541,308	597,325	1,350,961	2,595,537
Accumulated Depreciation								
Balance as at 01 January 2024	-	-	115,271	-	350,986	347,290	373,078	1,186,625
Charge for the year	-	-	3,918	-	27,602	39,950	213,343	284,813
On disposals	-	-	(2,079)	-	(149)	(2,457)	(28,184)	(32,869)
Balance as at 31 December 2024	-	-	117,110	-	378,439	384,783	558,237	1,438,569

	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right -of -use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Charge for the year	-	-	-	-	32,823	39,035	225,298	297,156
On disposals	-	-	(25,165)	-	-	(2,735)	(251,927)	(279,827)
Balance as at 31 December 2025	-	-	91,944	-	411,263	421,083	531,608	1,455,898
Net book value								
As at 31 December 2024								542,233
As at 31 December 2025								1,139,639

Information on the Freehold Land and Buildings of the Company

Location	Name of the Professional Valuer	Method of Valuation	Date of Valuation	Extent (Perches)	Revalued Amounts Land	Net Book Value Land	As a % of Total NBV
					Rs.'000	Rs.'000	
Kurunduwatta, Ekala	Ms. P. P. D. N. Shyamali M. Sc in Real Estate Management, B. Sc Estate Management & Valuation	Market Comparable Method	31st December 2025	1A-1R-27.93	136,758	14,000	977%

Title Restriction on Property and Equipment

There were no restrictions existed on the title of the property and equipment of the Group as at the date of the Statement of Financial Position.

Property and Equipment Pledged as Security for Liabilities

There were no items of property and equipment pledged as securities for liabilities except for lease hold assets.

Compensation from Third Parties for Items of Property and Equipment

There were no compensation received/receivable from third parties for items of property and equipment that were impaired, lost or given up.

Fully Depreciated Property and Equipment

The cost of fully depreciated property and equipment of the Company and the Group which are still in use as at the date of the Statement of Financial Position as follows:

As at 31 December	Company		Group	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Motor vehicles	91,706	116,872	91,944	117,109
Computer equipments	292,493	263,974	352,992	322,942
Equipment, furniture & fittings	151,450	105,315	227,922	182,170
Total	**535,649**	**486,161**	**672,858**	**622,221**

Temporarily Idle Property and Equipment

There were no property and equipment of the Company and the Group that were temporarily idle as at the date of the Statement of Financial Position.

Property and Equipment Retired from Active Use

There were no property and equipment of the Company and the Group were retired from active use as at the date of the Statement of Financial Position.

31. INTANGIBLE ASSETS

Accounting Policy

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Company and to the Group in accordance with the Sri Lanka Accounting Standard - LKAS 38 - 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Lives

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Derecognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the assets is recognised in the Statement of Profit or Loss in the year the assets is de-recognised.

31.1 Company

	Computer Software Rs.'000	Total Rs.'000
Cost		
Balance as at 01 January 2024	289,926	289,926
Additions and improvements during the year	35,407	35,407
Balance as at 31 December 2024	325,334	325,334
Additions and improvements during the year	9,839	9,839
Balance as at 31 December 2025	335,172	335,172
Accumulated amortisation		
Balance as at 01 January 2024	222,809	222,809
Amortisation for the year	41,195	41,195
Balance as at 31 December 2024	264,005	264,005
Amortisation for the year	32,794	32,794
Balance as at 31 December 2025	296,799	296,799
Net book value		
As at 31 December 2024		61,329
As at 31 December 2025		38,374

31.2 Group

	Computer Software	Goodwill	Total
	Rs.'000	Rs.'000	Rs.'000
Cost			
Balance as at 01 January 2024	341,373	18,193	359,566
Additions and improvements during the year	36,812	-	36,812
Balance as at 31 December 2024	378,185	18,193	396,378
Additions and improvements during the year	10,044	-	10,044
Balance as at 31 December 2025	388,229	18,193	406,422
Accumulated amortisation and impairment			
Balance as at 01 January 2024	271,882	18,193	290,075
Amortisation for the year	42,206	-	42,206
Balance as at 31 December 2024	314,088	18,193	332,281
Amortisation for the year	33,994	-	33,994
Balance as at 31 December 2025	348,082	18,193	366,275
Net book value			
As at 31 December 2024			64,097
As at 31 December 2025			40,147

Fully Amortised Intangible Assets

Gross carrying amount of intangible assets which have been fully amortised that are still in use as follows;

	Company		Group	
As at 31 December	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Software	257,755	30,486	305,976	79,085

There were no restrictions existed on the title of the intangible assets of the Company and the Group as at the Statement of Financial Position date. Further, there were no items pledged as securities for liabilities.

32. OTHER ASSETS

Accounting Policy

The Company and the Group classify all their other assets as mainly comprise of advance & prepayment and other receivables.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Other receivables	126,775	49,305	145,141	46,246
Advances and pre payments	190,116	164,895	222,211	186,972
Other accounts	186,129	26,185	203,463	54,117
Reinsurance assets-insurance contracts	-	-	258,005	156,494
Insurance receivables	-	-	109,084	130,378
	503,020	240,385	937,904	574,207
Less : Allowance for impairment losses	53,712	53,712	53,712	53,712
	449,308	**186,673**	**884,192**	**520,495**

33. DUE TO BANKS

Accounting Policy

Due to banks include bank overdrafts and long term and short-term loans obtained by the Company and the Group from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method.

Securities Sold Under Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are recognised from the Statement of Financial Position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the Consolidated Statement of Financial Position as a liability with a corresponding obligation to return it, including accrued interest as a liability within 'Securities sold under repurchase agreements', reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Bank overdraft	829,723	198,124	834,307	198,124
Reverse repurchase agreements	6,562,543	2,408,440	6,562,543	2,408,440
Bank borrowings - Short-term loans	4,261,737	5,056,813	4,261,737	5,056,813
Bank borrowings - Long-term loans	3,235,901	480,711	3,235,901	480,711
	14,889,904	**8,144,088**	**14,894,488**	**8,144,088**

33.1 Analysis of Cash and Cash Equivalents at the End of the Year

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Dues to banks	829,723	198,124	834,307	198,124
	829,723	**198,124**	**834,307**	**198,124**

33.2 Bank Borrowings - Long-term loans

	Interest Payable Frequency	Obtained Date	Maturity Date	Company & Group 2025 Rs.'000	Company & Group 2024 Rs.'000
Hatton National Bank PLC	Annually	30-Oct-24	29-Oct-29	199,936	199,199
Hatton National Bank PLC	Annually	28-Nov-24	27-Nov-29	112,972	111,139
Hatton National Bank PLC	Annually	02-Dec-24	01-Dec-29	20,201	20,161
Hatton National Bank PLC	Annually	27-Dec-24	26-Dec-29	150,300	150,213
People's Bank	Monthly	29-Sep-25	30-Sep-28	2,752,492	-
				3,235,901	**480,711**

33.3 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2025

	Company/Group Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	Total Rs.'000
Reverse repurchase agreements	6,562,543	-	-	6,562,543
Bank borrowings - Short-term loans	4,261,737	-	-	4,261,737
Bank borrowings - Long-term loans	-	3,235,901	-	3,235,901
	10,824,280	**3,235,901**	**-**	**14,060,181**

33.4 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2024

	Company/Group Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	Total Rs.'000
Reverse repurchase agreements	2,408,440	-	-	2,408,440
Bank borrowings - Short-term loans	5,056,813	-	-	5,056,813
Bank borrowings - Long-term loans	-	480,711	-	480,711
	7,465,253	**480,711**	**-**	**7,945,964**

34. DUE TO CUSTOMERS AT AMORTISED COST

Accounting Policy

Due to customers at amortised cost include fixed deposits and saving deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

As at 31 December	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Savings deposits	1,467,723	1,265,267	1,465,381	1,262,925
Time deposits	30,325,035	24,690,908	30,155,101	24,476,833
	31,792,758	**25,956,175**	**31,620,482**	**25,739,758**

34. DUE TO CUSTOMERS AT AMORTISED COST (Contd.)

34.1 Sri Lanka Deposit Insurance Scheme - Company

Under the Direction No. 1 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor, accordingly the Company paid a premium of 0.15% of the eligible deposits as deposit insurance premium, during the year ended 31st December 2025.

34.2 Contractual Maturity Analysis of Customer Deposits

	2025			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company				
Savings deposits	953,902	410,912	102,910	1,467,723
Time deposits	22,488,710	7,836,325	-	30,325,035
	23,442,612	**8,247,236**	**102,910**	**31,792,758**
Group				
Savings deposits	951,560	410,912	102,910	1,465,381
Time deposits	22,488,710	7,666,391	-	30,155,101
	23,440,270	**8,077,302**	**102,910**	**31,620,482**

34.3 Contractual Maturity Analysis of Customer Deposits

	2024			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company				
Savings deposits	822,482	354,228	88,557	1,265,267
Time deposits	18,781,504	5,909,379	25	24,690,908
	19,603,986	**6,263,607**	**88,582**	**25,956,175**
Group				
Savings deposits	820,140	354,228	88,557	1,262,925
Time deposits	18,781,504	5,695,304	25	24,476,833
	19,601,644	**6,049,532**	**88,582**	**25,739,758**

We have raised fixed deposits with a pre-mature option to the customers, so fixed deposit pre-matures may cause a difference from contractual maturities.

35. DEBT ISSUED AND BORROWED FUNDS AT AMORTISED COST

Accounting Policy

Debt issued represent the funds borrowed by the Company and the Group for long term and short term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

		Company		Group	
As at 31 December	Note	2025	2024	2025	2024
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Debentures	35.1	1,821,393	730,033	1,821,393	730,033
Total debt issued and borrowed funds		**1,821,393**	**730,033**	**1,821,393**	**730,033**

35.1 Debentures- 2025

ISIN No.	Interest Rate: Coupon Rate	Interest Rate: Effective Annual Yield	Interest Rate: Comparable Government Security	Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Company/Group: Face Value Rs '000	Company/Group: Value as at 2025 Rs.'000
Fixed Rate										
LK0186D25001	29.50%	24.00%	27.60%	listed	Nil	Annually	16-Nov-22	15-Nov-27	23,990	22,003
LK0186D25027	28.00%	24.88%	27.60%	listed	Nil	Bi Annually	16-Nov-22	15-Nov-27	32,880	30,267
LK0186D25084	29.50%	29.50%	25.24%	listed	Nil	Annually	10-Apr-23	09-Apr-28	276,660	290,625
LK0186D25092	28.00%	29.96%	25.24%	listed	Nil	Bi Annually	10-Apr-23	09-Apr-28	255,140	232,881
LK0186D25100	30.00%	24.57%	25.24%	listed	Nil	At Maturity	10-Apr-23	09-Apr-28	91,030	165,875
LK0186D25738	12.50%	12.50%	9.66%	Listed	Nil	Annually	30-May-25	30-May-30	972,710	1,042,928
LK0186D25746	11.75%	12.10%	9.66%	Listed	Nil	Bi Annually	30-May-25	30-May-30	27,290	27,565
Floating Rate										
LK0186D25019	One Year Avg T Bill Rate + 300 basis points			listed	Nil	Quarterly	16-Nov-22	15-Nov-27	10,830	9,249
Total Debentures									**1,690,530**	**1,821,393**

35.2 Debentures - 2024

ISIN No.	Interest Rate: Coupon Rate	Interest Rate: Effective Annual Yield	Interest Rate: Comparable Government Security	Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Company/Group: Face Value Rs '000	Company/Group: Value as at 2024 Rs.'000
Fixed Rate										
LK0186D25001	29.50%	24.00%	27.60%	listed	Nil	Annually	16-Nov-22	15-Nov-27	23,990	22,029
LK0186D25027	28.00%	24.88%	27.60%	listed	Nil	Bi Annually	16-Nov-22	15-Nov-27	32,880	30,298
LK0186D25084	29.50%	29.50%	25.24%	listed	Nil	Annually	10-Apr-23	09-Apr-28	276,660	297,016
LK0186D25092	28.00%	29.96%	25.24%	listed	Nil	Bi Annually	10-Apr-23	09-Apr-28	255,140	238,224
LK0186D25100	30.00%	24.57%	25.24%	listed	Nil	At Maturity	10-Apr-23	09-Apr-28	91,030	133,161
Floating Rate										
LK0186D25019	One Year Avg T Bill Rate + 300 basis points			listed	Nil	Quarterly	16-Nov-22	15-Nov-27	10,830	9,305
Total Debentures									**690,530**	**730,033**

35. DEBT ISSUED AND BORROWED FUNDS AT AMORTISED COST (Contd.)

35.3 Contractual Maturity Analysis of Debt Instruments Issued and Other Borrowed Funds - Company

	2025				2024			
	Within one Year Rs.'000	1 - 5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000	Within one Year Rs.'000	1 - 5 Years Rs.'000	Over 5 Years Rs.'000	Total Rs.'000
Unsecured debentures	-	1,821,393	-	**1,821,393**	-	730,033	-	**730,033**

Outstanding number of debentures as at 31 December 2025 consisted of 1,690,530 unsecured redeemable debentures of Rs. 100/- each issued by the Company.

The Company has not repurchased any of its own debt during the year. (2024: Nil)

The Company has not had any default of principal, interest or other breaches with regard to all liabilities during 2025 and 2024.

Debenture issue proceeds utilization as at 31st December 2025.

No.	Objective as per the prospectus	Amount allocated as per prospectus LKR	Date of Utilization	Amount allocated from proceeds LKR (A)	% of Total Proceeds	Amount Utilized in LKR (B)	% of Utilization (B/A)	Clarification if not fully utilized
	Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 67.7 Mn during the year 2022.							
1.	The funds raised through this debenture issue utilized to increase the medium term fund base to match the medium to long term lending portfolio.					67,700,000	100%	-
2.	To enhance the total capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).	67,700,000	16-Nov-22	67,700,000	100%	27,080,000	40%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.
	Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 622.83 Mn during the year 2023.							
3.	The funds raised through this Debenture issue utilized to reduce the maturity mismatch by increasing the medium term fund base to match the medium to long term lending portfolio of the company.					622,830,000	100%	-
4.	To enhance the total capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).	622,830,000	10-Apr-23	622,830,000	100%	373,698,000	60%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.
	Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 1,000 Mn during the year 2025							
5.	The funds raised through this Debenture Issue utilized to meet the regulatory capital requirements of the company (tier II)					1,000,000,000	100%	-
6.	To enhance the Lending Portfolio of the Company	1,000,000,000	30-May-25	1,000,000,000	100%	1,000,000,000	100%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.

36. INSURANCE CONTRACT LIABILITIES

Accounting Policy

36.1 Valuation of life insurance fund

The valuation of life insurance fund as at 31st December 2025 was made by Ms. Teja Ranade Gadhoke a qualified actuary, who also determined and certified GPV basis the surplus including one off surplus of Rs.35 Mn before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.

Liability adequacy test (LAT)

In the opinion of the consultant actuary Ms.Teja Ranade Gadhoke,the liability value is sufficient to meet future benefits and expenses. Hence, no provision was made for premium deficiency.

36.1.1 Insurance Contract Liabilities-Life

As at 31 December	Note	Group 2025 Rs.'000	Group 2024 Rs.'000
Balance as at 1 January		456,500	420,581
Unclaimed benefits		47,736	34,123
Restricted regulatory reserve		35,432	-
Balance as at 31 December		**539,669**	**454,704**

36.2 Accounting Policy

Liability adequacy test (LAT)

A Liability Adequacy Test ("LAT") for non life contract liability was carried out by Mr. J S P Plugged for and on behalf of NMG Financial Services Consulting Pvt Limited as at 31st December 2025 as required by SLFRS 4 - Insurance Contracts.

The IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 50th percentile of confidence, to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2025, in many but not all scenarios of future experience. The UPR provision of LKR 177,601,271 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of MBSL Insurance Co Ltd as at 31 December 2025, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

36. INSURANCE CONTRACT LIABILITIES (Contd.)

Insurance Contract Liabilities-Non Life

As at 31 December	Group 2025 Rs.'000	Group 2024 Rs.'000
Provision for reported claims by policy holders	378,444	189,575
provision for claims IBNR	24,740	23,039
Outstanding Claims provision	403,184	212,614
Provision for Unearned Premiums	169,253	184,809
Total Non life insurance contract liabilities	**572,437**	**397,423**

37. CURRENT TAX LIABILITIES

Accounting Policy

The Group and the Company are subject to income taxes. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of laws, at the time of the preparation of these Financial Statements.

Current tax assets are recognised at historical values less impairment. Income tax liabilities are recorded at the amounts expected to be paid.

The Group and Company recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

37.1 Current tax liabilities/(receivables)

As at 31 December	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Current tax liabilities	**166,186**	**209,437**	**166,186**	**209,437**
Balance at 01 January	209,437	30,055	209,437	30,055
Current tax based on profit for the year	260,907	230,696	260,907	230,696
Under provision in respect of previous years	429	-	429	-
Due to rate reduction	-	-	-	-
Other (reversal)/charge including settlements	-	(1,947)	-	(1,947)
ESC movement for the year	-	-	-	-
WHT movement for the year	(7,226)	(6,674)	(7,226)	(6,674)
Payment of tax	(297,361)	(42,693)	(297,361)	(42,693)
Balance as at 31 December	**166,186**	**209,437**	**166,186**	**209,437**

37.2 Withholding Tax (WHT) and Advance Income Tax (AIT)

Withholding Tax (WHT) has been reinstated in accordance with Sections 84, 84A and 85 of the Inland Revenue Act No. 24 of 2017 and its amendments (No. 10 of 2021 and No. 45 of 2022). Accordingly, effective January 1, 2023, WHT is applicable at 5% on service fees paid to a resident individual exceeding Rs. 100,000 per month, 10% on rent paid to a resident person exceeding Rs. 100,000 per month, 5% on interest income, and 15% on dividends, with WHT on dividends constituting a final tax, while other WHT deductions are creditable against income tax liabilities.

38. DEFERRED TAX LIABILITIES

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Net deferred tax (assets)/liabilities of one entity cannot be set-off against another entity's liabilities/(assets) since there is no legally enforceable right to set-off. Therefore, net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Net deferred tax asset	38.1	(130,134)	(91,893)	(130,830)	(100,473)
		(130,134)	(91,893)	(130,830)	(100,473)

38.1 Deferred Tax Movement

	Accelerated Depreciation for Property, Plant & Equipment	Accelerated Depreciation for Leased Assets	Provision for Loan Losses	Retirement Benefit Obligation	Tax Losses on Operation	Right of Use Assets	T-Bond & Bills	Total
Company								
Balance as at 01 January 2024	53,854	10,555	(2,321)	(106,311)	-	(10,728)	-	(54,951)
Due to change in temporary differences	(13,013)	(6,339)	(9,613)	5,006	-	665	-	(23,294)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
Balance as at 31 December 2024	40,841	4,215	(11,933)	(114,953)	-	(10,063)	-	(91,893)
Balance as at 01 January 2025	40,841	4,215	(11,933)	(114,953)	-	(10,063)	-	(91,893)
Due to change in temporary differences	(5,216)	(4,112)	(11,555)	(982)	-	(5,083)	-	(26,948)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(11,293)	-	-	-	(11,293)
Balance as at 31 December 2025	35,625	103	(23,488)	(127,228)	-	(15,146)	-	(130,134)
Group								
Balance as at 01 January 2024	55,594	10,553	(2,322)	(109,917)	-	(16,890)	(1,373)	(64,355)
Due to change in temporary differences	(13,875)	(6,339)	(9,613)	5,372	-	612	1,373	(22,470)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
Balance as at 31 December 2024	41,719	4,214	(11,935)	(118,193)	-	(16,278)	-	(100,473)
Balance as at 01 January 2025	41,719	4,214	(11,935)	(118,193)	-	(16,278)	-	(100,473)
Due to change in temporary differences	(4,381)	(4,112)	(11,555)	(865)	-	(2,720)	-	(23,633)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(11,293)	-	-	4,569	(6,724)
Balance as at 31 December 2025	37,338	102	(23,490)	(130,351)	-	(18,999)	4,569	(130,830)

39. OTHER LIABILITIES

Accounting Policy

Other liabilities include accrued expenses and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at 31 December	Note	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Accrued expenses		136,359	233,137	139,172	237,758
Lease liability	39.1	788,311	263,810	843,102	333,169
Payable to employees & suppliers		61,172	74,355	104,219	119,320
Insurance payable			-	84,000	180,798
Other liabilities		173,415	323,768	372,933	536,732
		1,159,256	**895,070**	**1,543,426**	**1,407,777**

39.1 The below table shows the carrying amounts of lease liabilities and the movements during the period:

As at 31 December	Company 2025 Rs.'000	Company 2024 Rs.'000	Group 2025 Rs.'000	Group 2024 Rs.'000
Operating Lease				
Balance as at 01 January	263,810	373,742	333,169	466,100
Additions/(disposals)	686,913	70,176	699,531	70,176
Accretion of interest	72,623	45,494	80,419	57,111
Payments	(235,035)	(225,602)	(270,017)	(260,218)
As at 31 December	**788,311**	**263,810**	**843,101**	**333,169**

The maturity analysis of lease liabilities are disclosed in Note 48.6.1.

Sensitivity of right-of-used assets/lease liability to key assumptions.

Sensitivity discount rates

1% increase/(decrease) in discount rate as at 31st December 2025 would have (decreased)/increased the lease liability by approximately Rs. 16.43 Mn with a similar (decrease)/increase in the right-of-used asset (2024 it was Rs. 4.80 Mn). Had the Company (decreased)/increased the discount rate by 1% , The Company's profit before tax for the year would have increased/(decreased) by approximately LKR Rs. 0.52 Mn (2024 it Was 0.19 Mn).

1% increase/(decrease) in discount rate as at 31st December 2025 would have (decreased)/increased the lease liability by approximately Rs. 16.86 Mn with a similar (decrease)/increase in the right-of-used asset (2024 it was Rs. 7.80 Mn).Had the Group (decreased)/increased the discount rate by 1% , The Group's profit before tax for the year would have increased/(decreased) by approximately LKR Rs. 0.95 Mn (2024 it Was 3.19 Mn).

The Group had total cash outflows for leases of Rs 270.02 Mn (2024: Rs 260.22 Mn).

40. RETIREMENT BENEFITS OBLIGATIONS

Accounting Policy

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit (PUC) method as required by the Sri Lanka Accounting Standards - LKAS 19 - 'Employee Benefits'.

Gratuity

In compliance with the Payment of Gratuity Act No.12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees.

Recognition of Actuarial Gains and Losses

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

Accounting Estimates

The actuarial valuation involves making demographic & financial assumptions as mentioned below,
The mortality rates represent the probabilities of "death" occurring within one year of any given age based on publicly available A 1967/70 mortality table issued by Institute of Actuaries, London.

In determining the appropriate long term rate of discount management considers market rates of interest on long term Corporate Bonds/Government Bonds and the anticipated long term rate of inflation.

As at 31 December	Company		Group	
	2025	**2024**	**2025**	**2024**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Balance as at 01 January	383,174	354,368	394,127	366,703
Expense recognised during the year	72,622	73,878	74,921	76,932
Payment made during the year	(69,349)	(90,564)	(70,244)	(95,102)
Actuarial (gains)/losses recognised in the Statement of Other Comprehensive Income	37,644	45,492	35,862	45,594
Balance as at 31 December	**424,091**	**383,174**	**434,666**	**394,127**

40.1 Expense Recognised in the Statement of Profit or Loss

Current service cost	30,473	24,227	31,728	25,617
Interest cost	42,149	49,611	43,193	51,275
Expense recognised during the year	**72,622**	**73,838**	**74,921**	**76,892**
Past service cost	-	40	-	40
Expense Recognised in the Statement of Profit or Loss	**72,622**	**73,878**	**74,921**	**76,932**

An actuarial valuation of the retirement benefit obligation was carried out as at 31 December 2025 by Messrs.' Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the liability is the 'Projected Unit Credit, the method recognised by the Sri Lanka Accounting Standard - LKAS 19 - 'Employee Benefits'.

40. RETIREMENT BENEFITS OBLIGATIONS (Contd.)

	Company	
	2025	**2024**
Financial Assumptions		
Discount rate	10.40%	11.00%
Demographic Assumptions		
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Disability	10% of the Mortality Table	10% of the Mortality Table
Retirement age	refer note 40.2 below	refer note 40.2 below

40.2 The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

As on 17 Nov 2021, employees who have attained the age of	Retirement age
Less than 52 years	60 years
53 years	59 years
54 years	58 years
55 years	57 years

The resulting change in the present value of defined benefit obligation was not recognised in profit or loss as a past service income.

Expected average working life of the active participants is 7 years as of 31 December 2025 (6.2 years as of 31 December 2024)

40.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate on the profit or loss and employment benefit obligation for the year.

Increase/(Decrease) in Discount Rate	**Increase/ (Decrease) in Salary Increment**	**2025 Sensitivity Effect on the Statement of Profit or Loss Increase/(Reduction) in Results for the Year**	**Sensitivity Effect on Employment Benefit Obligation Increase / (Decrease) in the Liability**
		Rs. Mn	**Rs. Mn**
1%		(23.55)	(23.55)
(1%)		26.19	26.19
	1%	27.28	27.28
	(1%)	(24.82)	(24.82)

Maturity Profile of the Defined benefit Obligation

	Company		Group	
	2025	**2024**	**2025**	**2024**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Within the next 12 months	54,057	48,151	54,564	48,556
Between 1-2 years	80,701	80,926	90,605	83,154
Between 2-5 years	100,546	87,646	100,646	95,886
Between 5-10 years	109,656	107,502	109,656	107,502
Beyond 10 years	79,130	58,949	79,196	59,029
Total	**424,091**	**383,174**	**434,667**	**394,127**

41. STATED CAPITAL

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Issued and fully paid ordinary shares	4,276,448	4,276,448	4,276,448	4,276,448
Balance as at 31 December	**4,276,448**	**4,276,448**	**4,276,448**	**4,276,448**

As at 31 December	Company		Group	
	2025 No. of Shares	2024 No. of Shares	2025 No. of Shares	2024 No. of Shares
No. of shares in issue				
Balance as at 31 December	524,539,637	524,539,637	524,539,637	524,539,637
	524,539,637	**524,539,637**	**524,539,637**	**524,539,637**

42. RESERVES

42.1 Statutory Reserves

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	392,265	344,174	392,265	344,174
Add: Transfers during the year	58,236	48,091	58,236	48,091
Balance as at 31 December	**450,501**	**392,265**	**450,501**	**392,265**

Statutory reserve represents the reserve fund of the Company created in terms of the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka.

42.2 Retained Earnings

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	(1,189,204)	(1,289,648)	(940,832)	(1,042,034)
Add: Net profit/(loss) for the year	265,522	240,454	148,540	260,338
Other comprehensive income, net of tax	(26,351)	(31,845)	(24,881)	(31,899)
Transfer to retain earnings	(9,096)	(7,042)	(9,096)	(7,042)
Transferred to Policy holder fund on one off surplus	-	-	-	(19,072)
Transfers to regulatory loss allowance reserve	6,260	(53,032)	6,260	(53,032)
Transfers to statutory reserve fund	(58,236)	(48,091)	(58,236)	(48,091)
Prior year adjustment made to OCI Reserve	-	-	(7,534)	-
Balance as at 31 December	**(1,011,105)**	**(1,189,204)**	**(885,779)**	**(940,832)**

42.3 RLA reserve

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	424,622	371,590	424,622	371,590
Transfers during the year	(6,260)	53,032	(6,260)	53,032
Balance as at 31 December	**418,362**	**424,622**	**418,361**	**424,622**

42.4 RR reserve

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	**-**	**-**	35,443	**-**
Transfers during the year	**-**	**-**	(35,443)	35,443
Balance as at 31 December	**-**	**-**	**-**	**35,443**

42.5 OCI Reserve

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01 January	(22,100)	(31,892)	(22,206)	(33,607)
Gains/(losses) on remeasuring financial investments at FVTOCI	13,004	2,750	14,456	4,359
Transfer to retain earnings	9,096	7,042	9,096	7,042
Prior year adjustment made to OCI Reserve	-	-	4,390	-
Balance as at 31 December	**-**	**(22,100)**	**5,736**	**(22,206)**

Other Financial Disclosures
This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards.

43. RELATED PARTY DISCLOSURE

The Company/Group carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - 'Related Party Disclosures'.

43.a Transactions with Key Management Personal (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 - 'Key Management Personnel' are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the directors of the Company/Group and the Directors of the parent company (including executive and non-executive directors), chief executive officer and corporate management committee have been classified as KMP of the Company and the Group.

43.b Terms and Conditions

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and it is comparable with what is applied to transactions between the Company/Group and its unrelated customers.

43.c Transactions with Related Parties

Mr. A. M. A. Perera, Mr. G. A. Jayashantha, Mr. R. M. N. Jeewantha, Mr. H. P. K. Silva, Ms. R. D. Fernando, Mr. A J Ismail, Mr. R L S A Rajapakse, Mr. H M P B Herath and were directors of the Company as at 31 December 2025.

43.d Transactions with Key Management Personnel and their Close Family Members

Remuneration to Key Management Personnel

For the year ended 31 December	Company		Group	
	2025	**2024**	**2025**	**2024**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
(a) Remuneration to Board of Directors				
Short term employees benefits	9,088	4,992	12,225	7,322
	9,088	**4,992**	**12,225**	**7,322**
(b) Remuneration to Corporate Management				
Short term employees benefits	101,496	105,014		
Post employment benefits	-	278		
	101,496	**105,292**		

Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their close family members and other entities.

43. RELATED PARTY DISCLOSURE (Contd.)

	Board of Directors		Corporate Management	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
(a) Items in the Statement of Financial Position				
Company				
Assets - Loan and receivables	-	-	20,844	8,336
Liabilities - Due to customers	-	-	10,702	3,416
Group				
Assets - Loan and receivables	35,166	55,166	-	-
Liabilities - Due to customers	28	27	10,704	13,976
(b) Items in the Statement of Profit or Loss				
Company				
Interest income	-	-	359	379
Interest expense	-	-	915	259
Group				
Interest income	-	567	359	-
Interest expense	1	1	915	1,354
(c) Net Accommodation as a % of capital funds				
Assets - Loan and receivables	0.64%	1.27%		

In addition to the above, the Company has also provided company maintained vehicles to the Chairman, Chief Executive officer and four members in Corporate Management team of the Company in line with the approved employment terms of the Company.

Share Transactions With Key Management Personnel

	Company	
As at 31 December	2025	2024
No. of ordinary shares held	-	-

43.e Details of significant related party transactions that have been carried out in the ordinary course of business in an arm's length basis with entities are disclosed below.

	Nature of Transactions	Income/(Expenses) Recognised During the Year		Assets/(Liabilities) as at 31 December	
		2025	2024	2025	2024
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company					
Transactions with parent company					
Bank of Ceylon	Money market loan	(103,303)	(174,116)	-	(2,950,227)
	Current accounts	(1,170)	(1,021)	133,776	229,852
	Overdue interest	(2,585)	(3,293)	(729,697)	(198,124)
	Reverse Repo	(93,994)	(95,319)	-	(2,408,440)
Transactions with subsidiary					
MBSL Insurance Company Limited	Fixed Deposits and savings	(18,341)	(29,486)	(172,276)	(216,417)
	Insurance agency commission	6,099	11,368	-	-
	Service charges income	763	1,868	-	-
	Insurance expenses	(6,419)	(25,648)	-	-
Transactions with associate					
Lanka Securities (Pvt) Ltd	Loans granted	1,025	-	11,255	-
	Fixed Deposits and savings	(2)	-	(3)	(1)
	Dividend received	73,650	-	-	-
Transactions with other companies					
BOC Property Development and Management Company Limited	Debenture	(5,060)	(1,340)	(66,920)	(10,163)
	Rent paid	(153,768)	(139,499)	-	-
	Electricity, water, office maintenance	(21,786)	(22,210)	(2,639)	(1,399)
Transnational Lanka Records Solutions (Pvt) Ltd	Storage Charges	(4,206)	(3,773)	-	-
	Backup Media Transport & Vaulting	(278)	(235)	-	-

Transactions exceeding 10% of the gross income of the Company

Name of the related party	Relationship	Nature of the transaction	Transaction value		Transaction value as a % of gross income		Terms and conditions	
			2025	2024	2025	2024	2025	2024
			Rs.'000	Rs.'000	%	%		
Bank of Ceylon	Parent Company	Money Market Loans obtained	23,140,000	9,435,000	293%	124%	Normal terms	Normal terms
		Investments in Repo	-	-	-	-	Normal terms	Normal terms
		Reverse Repo	14,800,000	13,850,000	187%	183%	Normal terms	Normal terms

44. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements of the Company/Group.

45. CLASSIFICATION CHANGES IN COMPARATIVES

Classification changes in comparatives had and impact on the following components of the Financial Statements for the year ended 31 December, 2025

		Company			Group		
	Reference	Current Presentation Rs.'000	As Reported Previously Rs.'000	Impact Rs.'000	Current Presentation Rs.'000	As Reported Previously Rs.'000	Impact Rs.'000
Statement of Profit or Loss							
Dividend Income							
Net trading income	1	804,725	793,811	10,914	804,762	793,811	10,951
Other operating income	1	100,905	111819	(10,914)	110,368	121,319	(10,951)
Closure Expenses							
Allowance for impairment losses reversal/(charge) for loans and other assets	2	(46,193)	(101,111)	54,918	(46,193)	(101,111)	54,918
Other operating expenses	2	1,029,665	1,084,583	(54,918)	1,192,608	1,247,526	(54,918)

Comparative figures have been changed due to following classification changes for the year 2025.

1. Dividend income which was categorized under other operating income, has been reclassified under Net trading income

2. Closure expenses which was categorized under other expenses, has been reclassified under Allowance for impairment losses reversal/(charge) for loans and other assets

46. FINANCIAL REPORTING BY SEGMENT

Accounting Policy

The Group's segmental reporting is based on the business segment.

A segment is a distinguishable component of the Group that is engaged in providing products and services (Business segments, which are subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter -segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Financial Reporting Standards (SLFRS 8), the operating segment of the Group has been identified based on the products and services offered by the Group of which level of risks and rewards are significantly differ from one another.

Top management of the Group considers the operating results and condition of its business segment in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues describes as follows:

Lease and Hire-Purchase
This segment includes lease and hire purchase products offered to the customers.

Loans and Receivables
This segment includes loan products offered to the customers.

Corporate Advisory and Capital Markets
This segment includes capital market and corporate advisory services.

Insurance
Insurance business segment includes life and general insurance.

Eliminations/Other
This segment includes all other business activities other than the above segments.

46. FINANCIAL REPORTING BY SEGMENT (Contd.)

Group

As at 31 December	Leasing		Loans and Receivables		Corporate Advisory & Capital Markets		Insurance		Eliminations/ Other		Total	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Revenue from external customers												
Interest and similar income	**2,636,220**	2,007,988	**3,188,472**	2,051,089	**257,941**	287,991	**216,910**	289,081	**1,142,559**	1,831,332	**7,442,102**	6,467,481
Interest and similar expenses	**1,146,972**	1,002,783	**1,619,545**	1,203,755	**181,664**	223,929	**9,377**	11,617	**1,307,462**	1,561,143	**4,265,020**	4,003,227
Net interest income	**1,489,248**	1,005,205	**1,568,927**	847,334	**76,277**	64,062	**207,533**	277,464	**(164,903)**	270,189	**3,177,082**	2,464,254
Net fee and commission income	**40,888**	53,800	**90,741**	68,328	**484**	136	**29,766**	18,751	**7,711**	46,284	**169,590**	187,299
Insurance premium income	**-**	-	**-**	-	**-**	-	**272,462**	408,020	**-**	-	**272,462**	408,020
Net claims and benefits	**-**	-	**-**	-	**-**	-	**(461,865)**	(327,442)	**-**	-	**(461,865)**	(327,442)
Net gain/(loss) on financial instruments at fair value through profit or loss	**-**	-	**-**	-	**71,911**	169,134	**-**	-	**129,402**	203,023	**201,313**	372,157
Real estate profit	**-**	-	**3,163**	5,126	**-**	-	**-**	-	**-**	-	**3,163**	5,126
Other income	**39,534**	28,936	**35,916**	31,414	**1,734**	10,914	**22,654**	15,830	**71,418**	712,542	**171,255**	799,635
Total operating income	**1,569,670**	1,087,941	**1,698,747**	952,201	**150,406**	244,246	**70,551**	392,623	**43,629**	1,232,038	**3,533,002**	3,909,050
Impairment (charges)/reversal for loans and other losses	**264,602**	21,830	**109,854**	72,618	**275,135**	303,393	**-**	-	**(538,076)**	(351,648)	**111,515**	46,193
Net operating income	**1,834,272**	1,109,771	**1,808,601**	1,024,819	**425,541**	547,639	**70,551**	392,623	**(494,447)**	880,390	**3,644,517**	3,955,243
Personnel expenses	**404,387**	351,866	**571,002**	422,385	**13,325**	14,127	**148,001**	178,850	**511,694**	612,236	**1,648,408**	1,579,464
Depreciation and amortisation	**79,677**	73,126	**112,506**	87,781	**105**	161	**35,522**	36,645	**103,340**	130,009	**331,150**	327,722
Other operating expenses	**244,234**	272,472	**344,863**	327,079	**12,425**	16,019	**167,160**	190,461	**297,484**	386,578	**1,066,167**	1,192,608
Segment result	**1,105,973**	412,307	**780,230**	187,574	**399,686**	517,331	**(280,132)**	(13,333)	**(1,406,966)**	(248,433)	**598,792**	855,449
Profit/(loss) before VAT on financial services											**598,792**	855,449
Taxes on financial services											**(405,504)**	(392,787)
Share of associate company's profit/(loss) before tax											**108,649**	13,232
Profit/(Loss) before income tax											**301,937**	475,894
Income tax expense/(reversal)											**(281,356)**	(210,248)
Profit/(Loss) for the year											**20,581**	265,646
Assets												
Capital expenditures												
Property, equipment and right-of-use assets	**43,194**	12,249	**60,991**	14,704	**6,841**	2,735	**2,747**	250	**49,238**	19,070	**163,012**	49,009
Intangible assets	**2,652**	8,895	**3,744**	10,678	**420**	1,986	**205**	1,405	**3,023**	13,848	**10,044**	36,812
Total segment assets	**14,607,996**	10,885,118	**23,302,593**	13,416,274	**2,039,808**	1,997,935	**440,837**	232,176	**15,769,572**	15,540,705	**56,160,806**	42,072,208
Total segment liabilities	**13,544,246**	9,123,900	**19,124,719**	10,952,459	**2,145,213**	2,037,432	**1,511,434**	1,375,787	**15,267,134**	13,987,767	**51,592,747**	37,477,347

Group

As at 31 December	Western Rs.'000	Central Rs.'000	Southern Rs.'000	North Western Rs.'000	Uva Rs.'000	North Central Rs.'000	Sabaragamuwa Rs.'000	Eastern Rs.'000	Northern Rs.'000	2025 Rs.'000
Revenue from external customers										
Interest and similar income	3,704,448	527,054	772,987	879,695	227,881	325,998	196,668	349,130	458,241	**7,442,102**
Interest and similar expenses	3,419,970	297,994	155,573	209,688	15,972	28,112	18,547	41,902	77,262	**4,265,020**
Net interest income	284,477	229,060	617,414	670,007	211,909	297,886	178,121	307,228	380,979	**3,177,082**
Net fee and commission income	85,549	14,564	29,533	17,861	8,419	7,570	7,691	(2,978)	1,381	**169,590**
Net gain/(loss) on financial instruments at fair value through profit or loss	(581,041)	-	-	-	-	-	-	-	-	**(581,041)**
Real estate profit	3,163	-	-	-	-	-	-	-	-	**3,163**
Other income	745,634	3,687	2,016	7,330	1,232	796	1,426	1,228	860	**764,208**
Total operating income	537,782	247,312	648,963	695,198	221,561	306,252	187,239	305,478	383,219	**3,533,002**
Allowance for impairment losses charge for loans and other assets	123,698	4,408	(43)	(15,198)	(2,816)	3,994	252	(435)	(2,345)	**111,515**
Net operating income	661,480	251,720	648,920	680,000	218,744	310,246	187,491	305,043	380,875	**3,644,517**
Personnel expenses	1,170,563	72,533	118,621	96,031	25,321	51,103	32,475	40,040	41,722	**1,648,408**
Depreciation and amortisation	313,357	2,369	3,765	3,641	1,805	1,996	1,056	1,368	1,792	**331,150**
Other operating expenses	762,405	45,021	69,146	58,692	17,642	28,926	21,337	30,414	32,584	**1,066,167**
Segment result	(1,584,846)	131,798	457,389	521,636	173,976	228,220	132,622	233,221	304,776	**598,792**
Profit/(loss) before VAT on financial services										**598,792**
Taxes on financial services										**(405,504)**
Share of associate company's profit/(loss) before tax										**108,649**
Profit/(Loss) before income tax										**301,937**
Income tax expense/(reversal)										**(281,356)**
Profit/(Loss) for the year										**20,581**
Assets										
Capital expenditures										
Property, equipment and right-of-use assets	140,972	2,848	4,538	4,357	1,884	2,405	1,754	2,213	2,042	163,012
Intangible assets	10,044	-	-	-	-	-	-	-	-	10,044
Total segment assets	32,092,413	3,217,396	5,435,890	5,687,091	1,532,647	1,999,351	1,360,136	2,142,674	2,693,207	56,160,806
Total segment liabilities	42,789,940	2,801,494	1,789,111	2,270,846	199,873	344,736	216,195	389,684	790,869	51,592,747

46. FINANCIAL REPORTING BY SEGMENT (Contd.)

Group

As at 31 December	Western Rs.'000	Central Rs.'000	Southern Rs.'000	North Western Rs.'000	Uva Rs.'000	North Central Rs.'000	Sabaragamuwa Rs.'000	Eastern Rs.'000	Northern Rs.'000	2024 Rs.'000
Revenue from external customers										
Interest and similar income	4,030,422	399,498	503,866	579,276	142,352	206,178	138,072	192,630	275,187	6,467,481
Interest and similar expenses	3,058,681	329,596	178,318	218,009	20,657	31,801	24,876	54,882	86,407	4,003,227
Net interest income	971,741	69,902	325,548	361,267	121,695	174,377	113,196	137,748	188,780	2,464,254
Net fee and commission income	111,503	11,286	21,790	16,882	7,581	7,522	5,932	2,506	2,297	187,299
Net gain/(loss) on financial instruments at fair value through profit or loss	261,789	-	-	-	-	-	-	-	-	261,789
Real estate profit	5,126	-	-	-	-	-	-	-	-	5,126
Other income	973,513	4,175	3,525	6,230	190	1,206	600	628	515	990,582
Total operating income	2,323,672	85,363	350,863	384,379	129,466	183,105	119,728	140,882	191,592	3,909,050
Allowance for impairment losses charge for loans and other assets	30,923	185	4,809	7,375	358	2,330	4,346	3,031	(7,164)	46,193
Net operating income	2,354,596	85,548	355,671	391,754	129,824	185,435	124,074	143,913	184,428	3,955,243
Personnel expenses	1,176,108	65,919	97,418	79,550	22,581	41,037	23,973	37,639	35,238	1,579,464
Depreciation and amortisation	310,542	2,244	3,913	3,971	1,086	1,804	1,078	1,304	1,780	327,722
Other operating expenses	901,410	49,103	65,924	58,322	16,943	25,134	16,365	25,740	33,668	1,192,609
Segment result	(33,463)	(31,718)	188,416	249,911	89,214	117,459	82,658	79,230	113,742	855,449
Profit/(loss) before VAT on financial services										**855,449**
Taxes on financial services										**(392,787)**
Share of associate company's profit/(loss) before tax										**13,232**
Profit/(Loss) before income tax										**475,894**
Income tax expense/(reversal)										**(210,248)**
Profit/(Loss) for the year										**265,646**
Assets										
Capital expenditures										
Property, equipment and right-of-use assets	41,282	1,015	1,780	1,721	509	758	520	639	784	49,009
Intangible assets	36,812	-	-	-	-	-	-	-	-	36,812
Total segment assets	27,159,440	2,307,105	3,180,506	3,545,390	880,852	1,311,519	807,667	1,209,343	1,670,387	42,072,208
Total segment liabilities	29,565,476	2,684,264	1,559,589	1,775,200	181,100	320,901	214,793	481,537	694,486	37,477,346

47. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

As at 31 December	Company		Group	
	2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Financial guarantees & claims to the customers	61,624	48,858	105,791	56,665
Total Commitments and Contingencies	**61,624**	**48,858**	**105,791**	**56,665**

In the normal course of business, the Company makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and therefore form part of the overall risk of the Company. No material losses are anticipated as a result of these transactions.

Undertaking Issued by the Company to Third Parties

MBSL as the major shareholder of MBSL Insurance Ltd, has issued a letter of undertaking to the Insurance Regulatory Commission of Sri Lanka stating that the MBSL will meet all life policyholder liabilities and any other liability arising from the life insurance portfolio of MBSLI, in the event MBSLI is unable to meet its obligations subject to the approval of CBSL.
However, MBSL Insurance Ltd has Contract Liabilities of life policy holders of Rs. 455 mn as of 31.12.2024 and the company has invested Rs. 818 mn in Financial Instruments which is over and above the Contract Liabilities of life policy holders.

Pending Litigations

In the normal course of business, the Company incurs certain contingent liabilities with legal recourse to its customers and would be party to litigation due to its operations. Accordingly, set out below are the unresolved legal claims against the Company as at 28th February, 2024 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Company that has not been listed here on the basis of non-materiality and significance to operations.

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2024	Claim amount
1	23840/M DC – Anuradhapura	The Lessee/ Plaintiff filed this action claiming damages for wrongful re-possession of the vehicle and seeking a declaration to the effect that MBSL has violated the provisions of the Lease Agreement.	Further Trial on 15/06/2026	Damages for wrongful re-possession (Case Value LKR 7,500,000).
2	DMR/3675/11 DC - Colombo	This action has been filed against MBSL to recover LKR 2,500,000/- as damages for refusal to grant a Hire Purchase facility.	Judgement on 30/03/2026	LKR 2,500,000.
3	4145/L DC - Chilaw	A third party seeks a declaration of title on the property that was mortgaged to MBSL and owned by MBSL through court auction.	Judgement delivered in open courts. As per the Judgement the Plaint was dismissed by Courts and also the counter claim made by the Defendant (MBSL) was rejected. As per the instructions of the Counsel notice of appeal filed on 12/12/2025. Appealed filed 20/01/2026.	Damages of LKR 500,000/- and further LKR 15,000/- per month until payment of damages in full from 09/03/2012.

47. CONTINGENT LIABILITIES AND COMMITMENTS (Contd.)

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2023	Claim amount
4	HC/CIVIL/06/2013/MR	The Plaintiff is seeking, inter alia, the refund of the advance payment of LKR 50,761,866.10 made by the Plaintiff to MBSL and a further sum of LKR 50,000,000 as damages in connection with a Share Sale and Purchase Agreement entered in March 2012 in respect of the sale of MBSL's shareholding in MBSL Savings Bank Limited at that time to a consortium of investors led by the Plaintiff and a Mandatory Injunction in this connection. Interim injunction sought by the Plaintiff was refused.	Judgement on 30/03/2026.	Refund of the advance payment of LKR 50,761,866.10 together with interest at the rate of 14% per annum on the said sum from 27/07/2012 until the Decree and legal interest from the date of the Decree until payment in full and a further sum of LKR 50 Million as damages.
5	9473/L DC - Embilipitiya	Plaintiff seeks a Declaration of Title on the property that was mortgaged to MBSL and owned by MBSL through court auction.	Case was laid by till the final determination of the case No. 12941/SPL filed against the Petitioner by a 3rd party.	LKR 500,000/- and damages of LKR 50,000/- from Oct 2006 till the decree.
6	4977/SPL DC - Colombo	This case has been filed against MCSL Financial Services Limited and 3 others in 1997. Plaintiff is seeking an order declaring Mortgage Bond No 77 dated 02-10-1995 attested by Mihirun Nisha Nachchiya Abdeen, Notary Public null and void. On a complaint made by the Plaintiff a Criminal action is also instituted against the 1st Defendant in the HC Colombo bearing Case No. 1060/2002.	Connected Criminal action bearing No. HC Colombo 1060/2002 is also in the Trial stage. The Judgement of this case was delivered against MBSL on 20/05/2025 and Petition of Appeal filed on 18/07/2025.	Sum of LKR 5,000,000/- as damages together with interest at the rate of 24% per annum from 02/10/1995.
7	CHC/215/2015/MR (DMR785/2013)	Plaintiffs are the Shareholders of MBSL (formally MBSL Savings Bank Ltd) and they have instituted an action in the District Court of Colombo (Case No. DMR/785/13) claiming LKR 3,841,000/- for their equity investment in MBSL . This case has been subsequently transferred to Commercial High Court.	Judgement was delivered on 17/12/2025 in favour of MBSL. Plaint was dismissed and Appeal notice filed by the Plaintiff and it was received on 26/12/2025.	LKR 3,841,600
8	4016/M DC - MARAWILA	This is an action instituted by the Plaintiff seeking damages for wrongfully demanding a further sum of money despite the alleged settlement of the facility.	Corrections of Proceedings and Written Submissions on 08/01/2026.	LKR 9,000,000
9	16245/M DC - KURUNEGALA	This action has been instituted by the Joint Lessees claiming damages for the Vehicle bearing No. NW PR 7078. Plaintiff claims that at the time of transferring the registered ownership of the vehicle a dummy party has been inserted to the book without their concurrence. Plaintiff further claims that due to the insertion of another transfer to the CR the value of the vehicle has been depreciated.	Further Trial on 23/01/2026	LKR 400,000

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2023	Claim amount
10	DMR 2793/2020 DC - Colombo	The Plaintiff has instituted this action against MBSL for wrongful termination of a HP Facility.	Plaintiff to pay LKR 1,100,000/- to MBSL in Twenty Four (24) monthly installments. Accordingly terms of settlement were entered in courts on 31/03/2023. As per the terms of settlement facility was fully settled on 19/02/2025 and the Plaintiff needs to file steps terminate the Proceedings of this case.	LKR 10,000,000
11	0	An appeal against the determination dated 2nd September 2019 delivered by the Tax Appeals Commission holding that the reversal of provision made for related party receivable should not be made liable for VAT on Financial Services.	Argument on 30/03/2026	VAT on LKR 95,000,000
12	0	This action has been filed against MBSL to recover LKR 4,625,557/- together with the legal interest and legal cost as damages for wrongful re-possession of the vehicle bearing NO.NC-PD-1969 .	Trial on 18/06/2026	LKR.4,625,557/- and legal interest from the date of the Decree until payment in full.
13	Action / Case No.	This action is filed by the owner of the adjacent land of the land which was already sold by the MBSL to the 2nd defendant, regarding the disputes arisen from the south eastern boundary.	22495/L DC - Amended Plaint &' 2D's Commission report (1D - MBSL) on 03/02/2026. WP/HCCA/HO/282/24/LA - Order on 04/05/2026	Damages amounting to a Sum of LKR 2,500,000/- together with LKR 50,000/- per month from 13/10/2022 to 21/03/2023 and LKR 10,000/- per month from 21/03/2023 to the decree date.
14	CA/TAX/43/2019 Court of Appeal	This action has been filed by a customer seeking an enjoining order against MBSL and the third party who has purchased the vehicle bearing no. 59-4502 at the auction, preventing sale of vehicle bearing no. 59-4502.	Pre Trial on 04/05/2026	LKR 5,000,000/- and legal interest from the date of the Decree until payment in full.
15	DMR/1492/21 DC - Colombo	W.W.H.R Fernando , Plaintiff filed. Action Against MBSL and A.V.M Waidyarathna claiming a sum of LKR 970,000/- as the sum allaged and damages to be due to him from selling his vehicle.	Replication & Settlement on 28/04/2026	To claim the Sum of LKR 970,000/- as the sum alleged and damages.
16	22495/L DC - Homagama WP/HCCA/HO/ 282/24/LA	This case has been filed by a third party (K.H.G.Q Tenisan Kumarasinghe) against MBSL and J.Vaseer (customer) stating that the subject land has been transferred to K.R.S Premasiri and J.Vaseer as a trust by the said third party and J.Vaseer has mortgaged the same to MBSL illegally and that transaction is fraudulent.	2nd Defendant - Steps 1st Defendant & 3rd Defendant -Answer on 30/03/2026.	LKR.1,100,000
17	DHP/628/24	A.L.S Perera Vs MBSL	1D, 2D - Steps, 3D (MBSL) - Answer on 30/03/2026	LKR 5,000,000
18	24160/SC Homagama	Challenging the termination of service	Inquiry of the respondent has been commenced. Respondent's Witness will cross-examine on next date. Next date is 2/April/2025	Inter alia reinstatement with back wages and/or compensation.

47. CONTINGENT LIABILITIES AND COMMITMENTS (Contd.)

47.1 Group

Contingencies and commitments of MBSL Insurance Company Limited.

47.1.1 Contingent assets

The litigation initiated by the company which is currently in favor to the company in the normal course of business are as follows:

- A litigation has been initiated by the company against the Cricket Board of Sri Lanka to recover an unpaid premium of US $ 619,158.

47.1.2 Contingent Liabilities

Litigation which is currently against the company in the normal course of business will be categorised as follows.

As at 31 December	Group 2025 Rs.'000	Group 2024 Rs.'000
Bond claims	3,157	3,157
Insurance claims	41,010	4,650
Third party claims	740,496	642,021
	784,663	**649,828**

No provision has been made in the financial statements for a performance bond insurance claim amounting to Rs. 293,932,500 intimated in the year 2016. The performance bond was issued on behalf of a contractor, for a period of three years (from 1st November 2013 to 1st November 2016) annually renewable. However, the premium for the final year had not been settled by the contractor and the policy has been cancelled on 12th January 2016. The cancellation has been informed to the claimant in writing. On 1st September 2016, the claimant has called on the performance bond informing that the contractor has failed to perform as per the agreement entered with the claimant. There is a probability that the claimant would initiate legal action against MBSL Insurance Company Limited. However, the opinion of the directors in consultation with the company lawyers is that the claimant has no legal right to claim under the performance bond at it was cancelled by MBSL Insurance Company Limited for the non-settlement of premium and this was informed to the claimant several months before the claimant made the claim.

48. RISK MANAGEMENT

Risk Management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of the Merchant Bank of Sri Lanka & Finance PLC strategic and financial goals. Merchant Bank of Sri Lanka & Finance PLC has established a sound risk management framework to identify and mitigate the risk exposure.

The Board of Directors (BOD) is primarily responsible for overall risk management of Merchant Bank of Sri Lanka & Finance PLC. Hence the BOD has established Integrated Risk Management Committee for prudent risk management. Integrated Risk Management Committee (IRMC) of the company is responsible for:

- Assessing all risks that affect to Merchant Bank of Sri Lanka & Finance PLC and taking necessary actions to mitigate risks.
- Reviewing the adequacy and effectiveness of all management level committees to address specific risks and managing those risks within quantitative risks limits identified by the committee.
- Assessing all aspects of risk management including updated business continuity plan.
- Take prompt corrective actions to mitigate the effects of specific risks identified by the IRMC or Risk Management division.

Merchant Bank of Sri Lanka & Finance PLC has identified 4 critical types of risk which can effect on MBSL's operations adversely as credit, market, liquidity and operational risks.

Risk Mitigation
Merchant Bank of Sri Lanka & Finance PLC has established IRMC, Assets and Liability Committee (ALCO), Investment and Credit Committees for mitigating the risk exposure, faced by the Company. Credit Committee is responsible to mitigate the credit risk while ALCO is responsible to mitigate the liquidity risk of Merchant Bank of Sri Lanka & Finance PLC by managing assets and liabilities of the Company. All the other committees report to the IRMC. The IRMC is responsible to manage the overall risk of Merchant Bank of Sri Lanka & Finance PLC and headed by a Board member. The Merchant Bank of Sri Lanka & Finance PLC uses accepted methods to mitigate risks faced by the Company.

Risk Measurement Systems
Merchant Bank of Sri Lanka & Finance PLC measures the expected and unexpected losses using various accepted models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Merchant Bank of Sri Lanka & Finance PLC is developing exposure limits, forecasting, ratios and risk assessment forms to identify and measure the risk.

48.1 Credit Risk

Credit risk is the potential that a company, borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Financial Institutions need to manage the credit risk inherent in the entire portfolio as well as the risks associated with individual credits or transactions. Merchant Bank of Sri Lanka & Finance PLC has established a Credit committee to ensure the credit quality of the Company. Credit committee makes necessary amendments to collateral requirement, interest rates and exposure limits by analyzing credit worthiness of the counterparties. At present Merchant Bank of Sri Lanka & Finance PLC is in the process of developing a credit rating system to analyze the clientele. Exposure, Repayment capacity, Collateral value and purpose are used as criteria of credit ratings. Merchant Bank of Sri Lanka & Finance PLC analyzes the concentration to loan portfolio to mitigate the credit risk. Concentration is measured based on industry sector and geographical spread.

Consideration of current economic conditions on credit risk
Company continued to conduct in-debt analysis on the industries which has been affected and the scale of impact on company lending portfolio, through various stress testing techniques including stage shift assessment of evaluated risk industries. Uncertainties relating to the economic conditions in Sri Lanka stressed the importance of diversification of the Company loan's book across a wide range of industries which in turn would ensure the resilience of the Company in the economic environment of this nature. The Company is comfortable with the existing composition of its loan book and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky economic segments.

Concentration Risk
Concentration risk can arise from uneven distribution of exposures to its borrowers. Concentration risk can create in several ways:

(a). Individual counterparties
(b). Groups of individual counterparties or related entities
(c). Counterparties in specific geographical locations
(d). Industry sectors
(e). Specific products

Sector wise concentration and geographical concentration is considered to assess the concentration risk of the Company. Merchant Bank of Sri Lanka & Finance PLC focuses to maintain a diversified portfolio to reduce the concentration risk.

The methodology used in the determination of expected credit losses is explained in Note 3.5.11.1 to financial statements.

48.2 Movement of the total allowance for expected credit losses during the period

For the year ended 31 December 2025	Note	Company		Group	
		2025 Rs.'000	2024 Rs.'000	2025 Rs.'000	2024 Rs.'000
Balance as at 01st January		1,730,177	2,408,331	1,730,177	2,408,331
Net charge for the year	12.	(112,828)	(142,391)	(112,828)	(142,391)
Balance as at 31st December		**1,617,349**	**2,265,940**	**1,617,349**	**2,265,940**

48. RISK MANAGEMENT (Contd.)

48.2.1 Sensitive Analysis

Impact of the measurement of the Company's allowance for expected credit losses for the year 2025

As at 31 December	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Statement
	Stage 1 Rs.000	**Stage 2 Rs.000**	**Stage 3 Rs.000**	**Total Rs.000**	**Rs.000**
Change in Probability of Default (PD)					
Increase existing PD by 10% across all age buckets	251,019	37,441	-	288,460	288,460
Decrease existing PD by 10% across all age buckets	(129,546)	(35,658)	-	(165,204)	(165,204)
Change in Loss Given Default (LGD)					
1% increase	15,184	11,117	18,831	45,132	45,132
1% decrease	(15,184)	(11,117)	(18,831)	(45,132)	(45,132)
Change in Economic Factor Adjustment (EFA)					
Worse case 5% increase, best case 5% decrease, base case constant	7,407	4,485	-	11,892	11,892
Worse case 5% decrease, best case 5% increase, base case constant	(648)	(287)	-	(935)	(935)

48.2.2 Impact of the measurement of the Company's allowance for expected credit losses for the year 2024

As at 31 December	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Statement
	Stage 1 Rs.000	**Stage 2 Rs.000**	**Stage 3 Rs.000**	**Total Rs.000**	**Rs.000**
Change in Probability of Default (PD)					
Increase existing PD by 10% across all age buckets	116,113	21,501	-	137,614	137,614
Decrease existing PD by 10% across all age buckets	(95,013)	(21,500)	-	(116,513)	(116,513)
Change in Loss Given Default (LGD)					
1% increase	12,656	6,416	23,989	43,061	43,061
1% decrease	(12,640)	(6,414)	(24,007)	(43,061)	(43,061)
Change in Economic Factor Adjustment (EFA)					
Worse case 5% increase, best case 5% decrease, base case constant	1,539	757	-	2,296	2,296
Worse case 5% decrease, best case 5% increase, base case constant	(1,523)	(758)	-	(2,281)	(2,281)

48.2.3 Overview of rescheduled/restructured loans and advances

An analysis rescheduled/restructured loans and advances of the Company, amounting to Rs. 489 Mn (2024-Rs. 486 Mn) which are in stage 3 along with the impairment for ECL is as follows:

It is raised Rs. 89 Mn (2024-Rs. 73 Mn) as impairment charge as at 31st December 2024. This does not include individually significant impaired loans and advances for which ECLs have been derived by discounting future cash flows of such loans.

48.2.4 Maximum Exposure to Credit Risk

Collateral and Other Credit Enhancements

The Company obtains different types of collaterals from the counterparties as a credit risk mitigates. The amount and the types of the collateral required depend on credit risk assessment of the counterparty. The acceptability of the collateral and valuation is determined based on the guidelines issued by the regulator and the bank's policy.

The main types of collaterals obtained are as follows

- For commercial lending- charges over movable and immovable properties
- For retail lending- mortgages over movable and immovable properties, cash and cash equivalents and gold articles

The Company monitors the market value of collaterals and will request additional collaterals if needed, in accordance with the underlying agreement. It is the Company's policy, to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not use/occupy repossessed assets for its business use.

48.2.5 The following table shows the maximum exposure to credit risk, total fair value of collaterals, any surplus over collaterals and the net exposure to credit risk.

	2025	
	Maximum exposure to Credit Risk	Net Exposure
	Rs.'000	**Rs.'000**
Financial Assets		
Cash and cash equivalents	618,703	258,995
Placements with banks & financial institutions	-	-
Financial investments at fair value through profit or loss	7,634,038	7,634,038
Loans & receivables at amortised cost	41,315,760	2,338,361
Financial investments at fair value through other comprehensive income	54	54
Financial investments at amortised cost	4,425,177	4,425,177
	53,993,732	**14,656,625**

	2024	
	Maximum exposure to Credit Risk	Net Exposure
	Rs.'000	**Rs.'000**
Financial Assets		
Cash and cash equivalents	752,190	471,179
Placements with banks & financial institutions	203,332	203,332
Financial investments at fair value through profit or loss	8,534,914	8,534,914
Loans & receivables at amortised cost	28,350,339	2,338,361
Financial investments at fair value through other comprehensive income	16,554	16,554
Financial investments at amortised cost	3,473,969	3,473,969
	41,331,298	**15,038,309**

48.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The company classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately.

Management of market risk

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

	2025			2024		
		Market Risk Measurement			Market Risk Measurement	
As at 31st December	Carrying Amount Rs.'000	Trading Portfolio Rs.'000	Non-trading Portfolio Rs.'000	Carrying Amount Rs.'000	Trading Portfolio Rs.'000	Non-trading Portfolio Rs.'000
Treasury bills	-	-	-	2,612,017	-	2,612,017
Treasury bonds	4,425,177	7,296,561	4,425,177	861,952	8,239,090	861,952

48. RISK MANAGEMENT (Contd.)

48.3.1 Equity Risk

A summary of the VaR position of the Bank's trading equity Holdings as at 31st December 2025 and during the period is as follows:

As at 31 December	2025	2024
Equity Portfolio Market Value (LKR' Mn)	337.48	295.82
Value at Risk (at 99% Confidence Level)	-3.68%	-2.37%
Maximum possible loss of value (LKR' Mn)	(12.42)	(7.02)

The principal tool used to measure and control market risk exposure within the Company is Value at Risk (VaR). The VaR of a portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model is used mainly based on historical simulation by the Company upon a 99 percent confidence level.

Assumptions

Method	-	Historical Simulation Method
Confidence Level	-	99%
Duration	-	1 Day

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the followings.

- The historical simulation method assumes that the statistical properties of the data remain constant over time, which may not always be true.
- The historical simulation method relies on past data to estimate the VaR, which means that it may not be able to capture extreme events that have not occurred in the past.
- The historical simulation method does not take into account current market conditions, such as changes in interest rates or economic conditions, which can affect the accuracy of the VaR estimate.
- The historical simulation method is a non-parametric approach, which means that it does not assume a specific distribution for the data.

The Company's VaR models are subject to regular review by Risk Management Department to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate.

Additionally , the Company uses a wide range of stress tests to model the financial impact of various exceptional market of financial instruments such as equities and bonds. The results of the stress tests are reviewed periodically by the Asset and Liability Committee (ALCO) and Board Integrated Risk Management Committee (BIRMC).

	Magnitude of shock & the fall in value of equities (LKR' Mn)			
	Portfolio market value	Scenario 1	Scenario 2	Scenario 3
As at 31 December		5%	10%	15%
2025	337.48	(13.41)	(26.83)	(40.24)
2024	295.82	(16.55)	(33.09)	(49.64)

The table above illustrates the sensitivity to a reasonably plausible alteration in quoted equity indices (ASPI), while maintaining all other variables constant on the Company's Statement of Profit or Loss. As of December 31, 2025, the All Share Price Index of the Colombo Stock Exchange was recorded at 22,624.31. Scenarios have been considered for a 5%, 10%, and 15% decrease from the year-end index.

Assumptions

- There is a direct relationship between the CSE All Share Price Index & the MBSL equity portfolio.
- Impact is calculated based on the beta factor of individual shares.

48.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The company's policy is to continuously monitor positions on a daily basis and use periodic interest re-pricing strategies to ensure positions are maintained within prudential levels.

The following tables demonstrate the sensitivity of the company's Statement of Profit or Loss for the year ended 31st December 2025 and 31st December 2024 to a reasonable possible change (increase) in interest rates, with all other variables held constant.

The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

Interest Rate Scenario(+/-)	**2025**	**2024**
2%	(195.5)	(186.7)
4%	(391.1)	(280.0)
6%	(586.6)	(373.4)

Assumptions

- Repricing Gap Model is used to calculate the interest rate impact.
- Changes in interest rates will equally impact to RSA & RSL.

48.3.3 The below table analyses the Company's interest rate risk exposure on financial assets and liabilities. Company's assets and liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

	Up to 03 months Rs.'000	**3 - 12 months Rs.'000**	**1-3 years Rs.'000**	**3-5 years Rs.'000**	**More than 5 years Rs.'000**	**Non-Interest bearing Rs.'000**	**2025 Total Rs.'000**
Cash and cash equivalents	618,703	-	-	-	-	-	618,703
Placements with banks & financial institutions	-	-	-	-	-	-	-
Financial investments at fair value through profit or loss	337,476	-	-	4,483,781	2,812,780	-	7,634,037
Loans & receivables at amortised cost	9,883,931	6,584,822	1,573,496	15,638,208	5,905,126	-	39,585,583
Financial investments at fair value through other comprehensive income	-	-	-	-	54	-	54
Financial investments at amortised cost	52,348	-	520,528	2,379,776	1,472,525	-	4,425,177
Financial other assets	-	93,866	-	-	66,445	-	160,311
Non financial assets	-	-	-	-	-	1,963,929	1,963,929
Total assets	10,892,458	6,678,688	2,094,024	22,501,765	10,256,930	1,963,929	54,387,795
Due to banks	11,654,002	-	2,753,237	482,665	-	-	14,889,904
Due to customers at amortised cost	6,540,284	16,902,327	7,224,577	1,022,821	102,749	-	31,792,758
Debt issued and borrowed funds at amortised cost	-	-	750,899	1,070,494	-	-	1,821,393
Other financial liabilities	77,908	-	-	-	-	-	77,908
Non financial liabilities	-	-	-	-	-	1,671,626	1,671,626
Total liabilities	18,272,194	16,902,327	10,728,713	2,575,980	102,749	1,671,626	50,253,589

48. RISK MANAGEMENT (Contd.)

48.3.4

	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	Non-Interest bearing Rs.'000	2024 Total Rs.'000
Cash and cash equivalents	752,190	-	-	-	-	-	752,190
Placements with banks & financial institutions	-	203,332	-	-	-	-	203,332
Financial investments at fair value through profit or loss	295,824	-	217,119	6,972,981	1,048,991	-	8,534,915
Loans & receivables at amortised cost	6,503,088	4,246,316	765,406	9,173,478	5,253,720	-	25,942,008
Financial investments at fair value through other comprehensive income	16,500	-	-	-	54	-	16,554
Financial investments at amortised cost	581,428	2,378,965	49,239	464,337	-	-	3,473,969
Financial other assets	-	12,542	-	-	65,690	-	78,232
Non financial assets	-	-	-	-	-	1,198,808	1,198,808
Total assets	8,149,030	6,841,155	1,031,764	16,610,796	6,368,455	1,198,808	40,200,008
Due to banks	7,663,377	-	-	480,711	-	-	8,144,088
Due to customers at amortised cost	5,829,028	13,774,958	5,611,138	652,469	88,582	-	25,956,175
Debt issued and borrowed funds at	-	-	61,632	668,401	-	-	730,033
Other financial liabilities	132,820	-	-	-	-	-	132,820
Non financial liabilities	-	-	-	-	-	1,354,861	1,354,861
Total liabilities	13,625,225	13,774,958	5,672,770	1,801,581	88,582	1,354,861	36,317,977

48.3.5 Commodity Price Risk

Commodity price risk of the Company is limited to the extent of the Pawning portfolio which is impacted by movements in the price of gold. Company uses conservative loan to value ratios to manage its exposures to commodity price risk.

As at 31 December	2025	2024
Market Value of Pawning Portfolio (LKR' Mn)	12,617	6,523
Portfolio Balance (Pawning) (LKR' Mn)	8,306	4,977
Loan to Value (LTV) Ratio	66%	76%
Market Price Scenario & Impact on LTV		
-10%	73%	85%
-20%	82%	95%
-30%	94%	109%

Assumptions

- Market prices of gold at the year-end is considered for the calculations.
- LTV Impact is calculated considering the entire pawning portfolio & gold stock.

48.4 Industry Analysis Risk Concentration

48.4.1 The Company's concentrations of risk are managed by industry sector.

As at 31 December	Financials Rs.'000	Agriculture Rs.'000	Manufacturing Rs.'000	Tourism Rs.'000	Transportation Rs.'000	Construction Rs.'000	Trade Rs.'000	Services Rs.'000	Consumption Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets											
Cash and cash equivalents	618,703	-	-	-	-	-	-	-	-	618,703	752,190
Placements with banks & financial	-	-	-	-	-	-	-	-	-	-	203,332
Financial investments at fair value											
Equity securities - Quoted	16,205	63,393	14,888	-	-	147,833	19,699	75,459	-	337,477	295,824
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised											
Loans & receivables	6,407,976	5,029,128	2,438,032	1,303,191	11,991,514	4,388,626	2,025,583	2,562,067	5,169,643	41,315,760	28,350,339
Government securities	4,425,177	-	-	-	-	-	-	-	-	4,425,177	3,473,969
Financial investments at fair value											
Government securities	-	-	-	-	-	-	-	-	-	-	-
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust		-	-	-	-	-	-	-	-	-	-
Other assets	160,311	-	-	-	-	-	-	-	-	160,311	78,232
Total financial assets as at 31	**18,924,987**	**5,092,521**	**2,452,920**	**1,303,191**	**11,991,514**	**4,536,459**	**2,045,282**	**2,637,526**	**5,169,643**	**54,154,043**	
Total financial assets as at 31	**16,977,031**	**1,815,003**	**1,762,559**	**792,201**	**5,790,924**	**3,056,551**	**2,896,455**	**639,288**	**7,679,518**		**41,409,530**

48. RISK MANAGEMENT (Contd.)

48.4.2 The Group's concentrations of risk are manage by industry sector.

As at 31 December	Financials Rs.'000	Agriculture Rs.'000	Manufacturing Rs.'000	Tourism Rs.'000	Transportation Rs.'000	Construction Rs.'000	Trade Rs.'000	Services Rs.'000	Consumption Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets											
Cash and cash equivalents	891,554	-	-	-	-	-	-	-	-	891,554	854,028
Placements with banks & financial	452,254	-	-	-	-	-	-	-	-	452,254	644,044
Financial investments at fair value											
Equity securities - Quoted	18,435	63,393	26,821	-	-	152,596	19,699	75,459	-	356,402	308,884
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised											
Loans & receivables at amortised cost	6,407,976	5,029,128	2,438,032	1,303,191	11,991,514	4,388,626	2,025,583	2,563,322	5,169,643	41,317,015	28,354,833
Government securities	5,051,559	-	-	-	-	-	-	-	-	5,051,559	4,498,689
Financial investments at fair value											
Government securities	108,550	-	-	-	-	-	-	-	-	108,550	101,699
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust	-	-	-	18,230	-	-	-	-	-	18,230	16,805
Other assets	-	-	-	160,311	-	-	-	-	-	160,311	78,232
Total financial assets as at 31	**20,226,944**	**5,092,521**	**2,464,853**	**1,481,732**	**11,991,514**	**4,541,222**	**2,045,282**	**2,638,781**	**5,169,643**	**55,652,490**	
Total financial assets as at 31	**18,568,797**	**1,815,003**	**1,769,698**	**887,239**	**5,790,924**	**3,061,443**	**2,896,455**	**643,781**	**7,679,518**		**43,112,858**

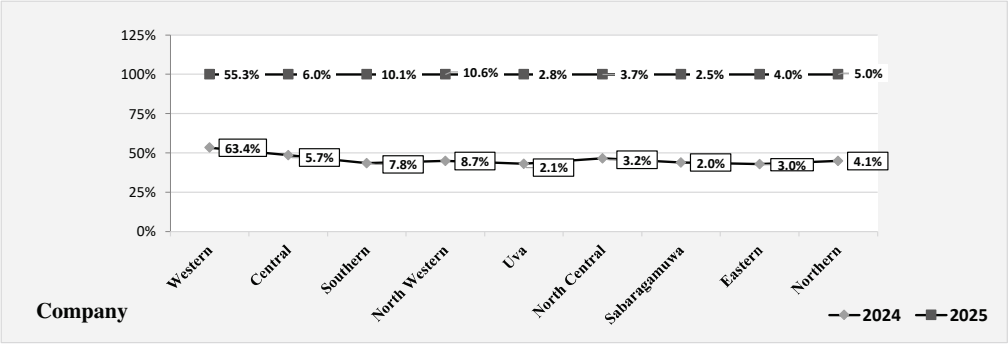
48.5 Geographical Analysis

The following table presents the distribution of financial assets of the Company & Group by geographical segment, allocated based on the location in which the financial assets and liabilities are recorded for the year ended 31 December 2025 together with comparative figures for the year ended 31 December 2024.

48.5.1 The Company's concentrations of risk are managed by geographical segment.

As at 31 December

	Western Rs.'000	Central Rs.'000	Southern Rs.'000	North Western Rs.'000	Uva Rs.'000	North Central Rs.'000	Sabaragamuwa Rs.'000	Eastern Rs.'000	Northern Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets											
Cash and cash equivalents	403,452	29,151	53,361	42,252	11,473	15,653	8,085	25,434	29,842	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	-	-	-	-	203,332
Financial investments at fair value through profit or loss											
Equity securities - Quoted	337,476	-	-	-	-	-	-	-	-	337,476	295,824
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised cost											
Loans & receivables at amortised cost	17,308,422	3,236,007	5,431,114	5,695,353	1,518,944	1,981,948	1,358,462	2,115,102	2,670,408	41,315,760	28,350,339
Government securities	4,425,177	-	-	-	-	-	-	-	-	4,425,177	3,473,969
Financial investments at fair value through other comprehensive income											
Government securities	-	-	-	-	-	-	-	-	-	-	-
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust	-	-	-	-	-	-	-	-	-	-	-
Other assets	160,311	-	-	-	-	-	-	-	-	160,311	78,232
Total financial assets as at 31 December 2025	**29,931,453**	**3,265,158**	**5,484,475**	**5,737,605**	**1,530,417**	**1,997,601**	**1,366,547**	**2,140,536**	**2,700,250**	**54,154,042**	
Total financial assets as at 31 December 2024	**26,260,340**	**2,368,556**	**3,242,382**	**3,584,385**	**886,091**	**1,328,565**	**820,797**	**1,230,611**	**1,687,803**		**41,409,530**



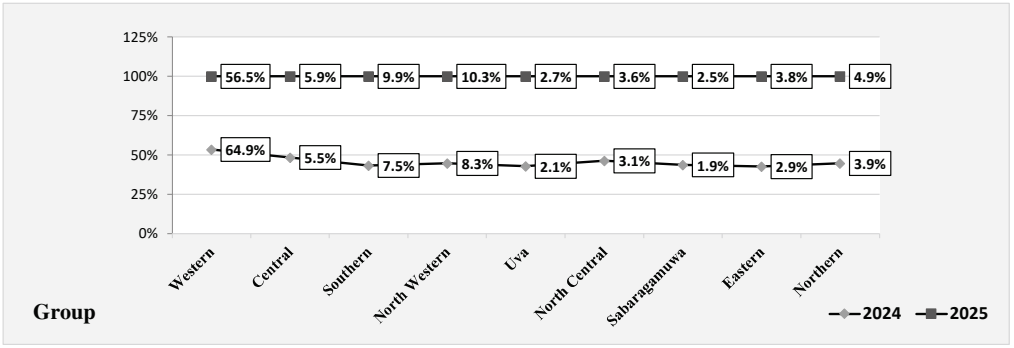
MERCHANT BANK OF SRI LANKA & FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

48. RISK MANAGEMENT (Contd.)

48.5.2 The Group's concentrations of risk are managed by geographical segment.

As at 31 December

	Western Rs.'000	Central Rs.'000	Southern Rs.'000	North Western Rs.'000	Uva Rs.'000	North Central Rs.'000	Sabaragamuwa Rs.'000	Eastern Rs.'000	Northern Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets											
Cash and cash equivalents	676,303	29,151	53,361	42,252	11,473	15,653	8,085	25,434	29,842	891,554	854,028
Placements with banks & financial institutions	452,254	-	-	-	-	-	-	-	-	452,254	644,044
Financial investments at fair value through profit or loss											
Equity securities - Quoted	356,402	-	-	-	-	-	-	-	-	356,402	308,884
Government securities	7,296,561	-	-	-	-	-	-	-	-	7,296,561	8,239,090
Financial investments at amortised cost											
Loans & receivables at amortised cost	17,309,677	3,236,007	5,431,114	5,695,353	1,518,944	1,981,948	1,358,462	2,115,102	2,670,408	41,317,015	28,354,833
Government securities	5,051,559	-	-	-	-	-	-	-	-	5,051,559	4,498,689
Financial investments at fair value through other comprehensive income											
Government securities	108,550	-	-	-	-	-	-	-	-	108,550	101,699
Equity securities - Quoted	-	-	-	-	-	-	-	-	-	-	16,500
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	54
Unit trust	18,230	-	-	-	-	-	-	-	-	18,230	16,805
Other assets	160,311	-	-	-	-	-	-	-	-	160,311	78,232
Total financial assets as at 31 December 2025	**31,429,901**	**3,265,158**	**5,484,475**	**5,737,605**	**1,530,417**	**1,997,601**	**1,366,547**	**2,140,536**	**2,700,250**	**55,652,490**	
Total financial assets as at 31 December 2024	**27,963,667**	**2,368,556**	**3,242,382**	**3,584,385**	**886,091**	**1,328,565**	**820,797**	**1,230,611**	**1,687,804**		**43,112,859**



48.6 Liquidity Risk

Liquidity risk is the possibility of losses arising from fluctuations in Group's ability to sell or dispose the assets and settle the liabilities.
Group believes that effective management of liquidity risk is vital for continuing Group's operations successful. Accordingly, Merchant Bank of Sri Lanka & Finance PLC has implemented the Board Approved Liquidity Risk Management Policy and established an Assets and Liability Committee (ALCO). Merchant Bank of Sri Lanka & Finance PLC uses ratios and maturity gap analysis to identify the liquidity risk of the Group.

Maturity Analysis

The table below summerises the maturity profile of the contractual cash flows of the Company/Group's assets and liabilities as at 31 December 2025.

Repayments which are subject to notice are treated as if notice were to be given immediately. However , the Group expects that many customers will not request repayment on the earliest date the Group could be required to be paid and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

48.6.1 Company

	On Demand Rs.'000	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Assets								
Financial assets								
Cash and cash equivalents	618,703	-	-	-	-	-	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	-	203,332
Financial investments at fair value through profit or loss	-	337,476	-	-	4,483,781	2,812,780	7,634,037	8,534,914
Loans & receivables at amortised cost	3,525,383	6,358,548	6,584,822	1,573,496	15,638,208	5,905,126	39,585,583	25,942,008
Financial investments at fair value through other comprehensive income	-	-	-	-	-	54	54	16,554
Financial investments at amortised cost	52,348	-	-	520,528	2,379,776	1,472,525	4,425,177	3,473,969
Financial other assets	-	-	93,866	-	-	66,445	160,311	78,232
Total financial assets as at 31 December 2025	4,196,434	6,696,025	6,678,688	2,094,024	22,501,765	10,256,930	52,423,865	
Total financial assets as at 31 December 2024	5,104,590	3,044,440	6,841,155	1,031,764	16,128,367	6,368,454		39,001,199
Non financial assets								
Real estate stock	-	-	26,029	-	-	-	26,029	40,446
Investment in associate company	-	-	-	-	-	81,084	81,084	81,084
Investment in subsidiary	-	-	-	-	-	318,568	318,568	348,261
Property, equipment and right-of-use assets	-	-	-	-	-	1,080,743	1,080,743	467,355
Intangible assets	-	-	-	-	-	38,374	38,374	61,329
Deferred tax assets	-	-	-	-	-	130,134	130,134	91,893
Other assets	-	-	64,386	224,612	-	-	288,998	108,441
Total non-financial assets as at 31 December 2025	-	-	90,415	224,612	-	1,648,903	1,963,930	
Total non-financial assets as at 31 December 2024	-	-	74,027	74,860	-	1,049,922		1,198,809
Total assets as at 31 December 2025	4,196,434	6,696,025	6,769,103	2,318,635	22,501,765	11,905,833	54,387,795	
Total assets as at 31 December 2024	5,104,590	3,044,440	6,915,182	1,106,624	16,128,367	7,418,376		40,200,008
Financial liabilities								
Due to banks	11,654,002	-	-	2,753,237	482,665	-	14,889,904	8,144,088
Due to customers at amortised cost	1,993,080	4,547,203	16,902,328	7,224,577	1,022,821	102,749	31,792,758	25,956,175
Debt issued and borrowed funds at amortised cost	-	-	-	750,899	1,070,494	-	1,821,393	730,033
Other financial liabilities	-	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	13,647,082	4,625,111	16,902,328	10,728,713	2,575,980	102,749	48,581,963	
Total financial liabilities as at 31 December 2024	5,196,012	8,429,213	13,774,958	5,672,770	1,801,581	88,582		34,963,116
Non financial liabilities								
Current tax liabilities	-	-	166,186	-	-	-	166,186	209,437
Lease liability	-	-	-	-	-	-	-	263,810
Other liabilities	-	1,081,349	-	-	-	-	1,081,349	498,440
Retirement benefits obligations	-	-	54,057	80,701	100,546	188,787	424,091	383,174
Total non-financial liabilities as at 31 December 2025	-	1,081,349	220,243	80,701	100,546	188,787	1,671,626	
Total non-financial liabilities as at 31 December 2024	17,976	533,830	316,769	216,312	102,966	167,008		1,354,861
Total liabilities as at 31 December 2025	13,647,082	5,706,460	17,122,571	10,809,415	2,676,525	291,536	50,253,589	
Total liabilities as at 31 December 2024	5,213,988	8,963,043	14,091,727	5,889,082	1,904,547	255,590		36,317,977
Equity								
Stated capital	-	-	-	-	-	4,276,448	4,276,448	4,276,448
Retained earnings	-	-	-	-	-	(1,011,105)	(1,011,105)	(1,189,204)
RLA reserve	-	-	418,362	-	-	-	418,362	424,622
OCI reserve	-	-	-	-	-	-	-	(22,100)
Statutory reserves	-	-	-	-	-	450,501	450,501	392,265
Total equity as at 31 December 2025	-	-	418,362	-	-	3,715,844	4,134,206	
Total equity as at 31 December 2024	-	(22,100)	424,622	-	-	3,479,509		3,882,031
Total liabilities and equity as at 31 December 2025	13,647,082	5,706,460	17,540,933	10,809,415	2,676,525	4,007,380	54,387,795	
Total liabilities and equity as at 31 December 2024	5,213,988	8,940,943	14,516,349	5,889,082	1,904,547	3,735,099		40,200,008

MERCHANT BANK OF SRI LANKA & FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

48. RISK MANAGEMENT (Contd.)

48.6.2 Group	On Demand Rs.'000	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Assets								
Financial assets								
Cash and cash equivalents	682,425	-	209,129	-	-	-	891,554	854,028
Placements with banks & financial institutions	-	452,254	-	-	-	-	452,254	644,044
Financial investments at fair value through profit or loss	-	356,402	-	-	4,483,782	2,812,780	7,652,964	8,065,545
Loans & receivables at amortised cost	3,525,383	6,359,803	6,584,822	1,573,496	15,638,208	5,905,126	39,586,838	25,946,502
Financial investments at fair value through other comprehensive income	-	-	18,230	-	108,550	54	126,834	135,058
Financial investments at amortised cost	52,348	-	109,597	1,037,314	2,379,776	1,472,525	5,051,559	4,498,689
Financial other assets	-	-	93,866	-	-	66,445	160,311	78,233
Total financial assets as at 31 December 2025	4,260,156	7,168,459	7,015,643	2,610,809	22,610,316	10,256,930	53,922,313	
Total financial assets as at 31 December 2024	5,204,282	3,502,706	7,086,906	1,830,037	16,230,066	6,368,103		40,222,099
Non financial assets								
Real estate stock	-	-	26,029	-	-	-	26,029	40,446
Investment in associate company	-	-	-	-	-	177,966	177,966	178,169
Property, equipment and right-of-use assets	-	-	-	-	-	1,139,639	1,139,639	542,233
Intangible assets	-	-	-	-	-	40,147	40,147	64,097
Deferred tax assets	-	-	-	-	-	130,830	130,830	100,473
Other assets	-	434,883	64,386	224,612	-	-	723,881	442,262
Total non-financial assets as at 31 December 2025	-	434,883	90,415	224,612	-	1,488,583	2,238,493	
Total non-financial assets as at 31 December 2024	-	333,821	74,027	74,860	-	884,972		1,367,680
Total assets as at 31 December 2025	4,260,156	7,603,342	7,106,058	2,835,421	22,610,316	11,745,513	56,160,806	
Total assets as at 31 December 2024	5,204,282	3,836,528	7,160,932	1,904,897	16,230,066	7,253,075		41,589,779
Financial liabilities								
Due to banks	11,654,002	4,583	-	2,753,237	482,665	-	14,894,487	8,144,088
Due to customers at amortised cost	1,993,080	4,547,203	16,730,052	7,224,577	1,022,821	102,749	31,620,482	25,739,758
Debt issued and borrowed funds at amortised cost	-	-	-	750,899	1,070,494	-	1,821,393	730,033
Other financial liabilities	-	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	13,647,082	4,629,694	16,730,052	10,728,713	2,575,980	102,749	48,414,270	
Total financial liabilities as at 31 December 2024	5,196,012	8,429,213	13,558,541	5,672,770	1,801,581	88,582		34,746,699
Non financial liabilities								
Insurance contract liabilities-life	-	-	539,669	-	-	-	539,669	454,704
Insurance contract liabilities-non life	-	-	572,437	-	-	-	572,437	397,423
Current tax liabilities	-	-	166,186	-	-	-	166,186	209,437
Deferred tax liabilities	-	-	-	-	-	-	-	-
Lease liability	-	-	32,056	22,735	-	-	54,791	333,169
Other liabilities	-	1,081,349	324,761	-	-	1,961	1,408,071	941,788
Retirement benefits obligations	-	-	54,564	90,605	100,646	188,852	434,667	394,127
Total non-financial liabilities as at 31 December 2025	-	1,081,349	1,689,674	113,340	100,646	190,813	3,175,821	
Total non-financial liabilities as at 31 December 2024	17,976	533,830	1,635,080	263,504	111,206	169,051		2,730,648
Total liabilities as at 31 December 2025	13,647,082	5,711,043	18,419,726	10,842,053	2,676,626	293,562	51,590,091	
Total liabilities as at 31 December 2024	5,213,988	8,963,043	15,193,621	5,936,274	1,912,787	257,633		37,477,347
Equity								
Stated capital	-	-	-	-	-	4,276,448	4,276,448	4,276,448
Retained earnings	-	-	-	-	-	(885,779)	(885,779)	(940,833)
RLA reserve	-	-	418,362	-	-	-	418,362	424,622
OCI reserve	-	-	-	-	-	5,736	5,736	(22,206)
Statutory reserves	-	-	-	-	-	450,501	450,501	392,265
Non controlling interests	-	-	-	-	-	302,791	302,791	429,122
Total equity as at 31 December 2025	-	-	418,362	-	-	4,149,697	4,568,059	
Total equity as at 31 December 2024	-	(22,100)	424,622	-	-	4,156,896		4,559,418
Total liabilities and equity as at 31 December 2025	13,647,082	5,711,043	18,838,087	10,842,053	2,676,626	4,443,259	56,158,150	
Total liabilities and equity as at 31 December 2024	5,213,988	8,940,943	15,618,243	5,936,274	1,912,787	4,414,530		42,036,765

48.6.3 Current/Non Current Analysis

The table below summerises the current/non current assets and liabilities of the Company/Group.

	Company			Group		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Cash and cash equivalents	618,703	-	618,703	891,554	-	891,554
Placements with banks & financial institutions	-	-	-	452,254	-	452,254
Financial investments at fair value through profit or loss	337,476	7,296,561	7,634,037	356,402	7,296,561	7,652,964
Loans & receivables at amortised cost	16,468,753	23,116,830	39,585,583	16,470,008	23,116,830	39,586,838
Financial investments at fair value through other comprehensive income	-	54	54	18,230	108,604	126,834
Financial investments at amortised cost	52,348	4,372,829	4,425,177	161,945	4,889,615	5,051,559
Real estate stock	26,029	-	26,029	26,029	-	26,029
Investment in associate company	-	81,084	81,084	-	177,966	177,966
Investment in subsidiary	-	318,568	318,568	-	-	-
Property, equipment and right-of-use assets	-	1,080,743	1,080,743	-	1,139,639	1,139,639
Intangible assets	-	38,374	38,374	-	40,147	40,147
Deferred tax assets	-	130,134	130,134	-	130,830	130,830
Other assets	158,251.55	291,057	449,309	593,135	291,057	884,192
Total assets as at 31 December 2025	17,661,561	36,726,234	54,387,794	18,969,557	37,191,250	56,160,806
Total assets as at 31 December 2024	15,064,213	24,653,367	39,717,580	16,201,742	25,388,038	41,589,780
Liabilities						
Due to banks	11,654,002	3,235,902	14,889,904	11,658,585	3,235,902	14,894,487
Due to customers at amortised cost	23,442,612	8,350,147	31,792,758	23,270,336	8,350,147	31,620,482
Debt issued and borrowed funds at amortised cost	-	1,821,393	1,821,393	-	1,821,393	1,821,393
Insurance contract liabilities-life	-	-	-	539,669	-	539,669
Insurance contract liabilities-non life	-	-	-	572,437	-	572,437
Current tax liabilities	166,186	-	166,186	166,186	-	166,186
Other liabilities	1,159,257	-	1,159,257	1,516,074	24,696	1,540,770
Retirement benefits obligations	54,057	370,033	424,090	54,564	380,103	434,667
Total liabilities as at 31 December 2025	36,476,114	13,777,475	50,253,588	37,777,850	13,812,241	51,590,091
Total liabilities as at 31 December 2024	28,268,758	8,049,219	36,317,977	29,370,652	8,106,695	37,477,347
Net assets as at 31 December 2025	(18,814,553)	22,948,759	4,134,206	(18,808,294)	23,379,009	4,570,715
Net assets as at 31 December 2024	(13,204,545)	16,604,148	3,399,603	(13,168,910)	17,281,343	4,112,433

48. RISK MANAGEMENT (Contd.)

48.7 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 December 2025.

Repayments of short term loans which are subject to notice are treated as if notice were to be given immediately. However the company expects that banks will not request repayment on the earliest date that the company is required to pay and the table does not reflect the expected cash flows indicated by the company.

Company	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets							
Cash and cash equivalents	-	618,703	-	-	-	618,703	752,190
Placements with banks & financial institutions	-	-	-	-	-	-	220,196
Financial investments at fair value through profit or loss	-	337,476	1,761,023	8,615,490	148,934	10,862,923	13,981,377
Loans & receivables at amortised cost	22,304,369	6,747,311	16,963,407	1,013,756	143,007	47,171,850	28,115,859
Financial investments at fair value through other comprehensive income	-	54	-	-	-	54	16,554
Financial investments at amortised cost	-	-	-	5,677,506	798,491	6,475,997	3,857,608
Financial other assets	-	93,866	-	-	66,445	160,311	78,232
Total financial assets as at 31 December 2025	22,304,369	7,797,410	18,724,430	15,306,752	1,156,877	65,289,839	
Total financial assets as at 31 December 2024	12,314,750	10,530,381	10,650,462	11,779,823	1,746,600		47,022,016
Financial liabilities							
Due to banks	7,392,267	-	-	7,754,464	-	15,146,731	5,619,401
Due to customers at amortised cost	7,836,869	17,859,087	8,096,403	971,901	93	34,764,353	29,128,558
Debt issued and borrowed funds at amortised cost	-	-	-	2,852,324	-	2,852,324	1,610,319
Other financial liabilities	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	15,307,044	17,859,087	8,096,403	11,578,689	93	52,841,316	
Total financial liabilities as at 31 December 2024	12,076,939	15,189,924	7,135,641	2,088,481	113		36,491,098

Group	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	2025 Total Rs.'000	2024 Total Rs.'000
Financial assets							
Cash and cash equivalents	-	682,425	209,129	-	-	891,554	854,028
Placements with banks & financial institutions	452,254	-	-	-	-	452,254	660,908
Financial investments at fair value through profit or loss	-	356,402	1,761,023	8,615,490	148,934	10,881,849	13,994,437
Loans & receivables at amortised cost	22,305,624	6,747,311	16,963,407	1,013,756	143,007	47,173,105	28,120,353
Financial investments at fair value through other comprehensive income	-	54	-	-	-	54	16,554
Financial investments at amortised cost	-	109,597	516,786	5,677,506	798,491	7,102,379	4,882,327
Financial other assets	-	93,866	-	-	66,445	160,311	78,232
Total financial assets as at 31 December 2025	22,757,878	7,989,656	19,450,345	15,306,752	1,156,877	66,661,508	
Total financial assets as at 31 December 2024	12,759,956	10,869,931	11,450,881	11,779,823	1,746,249		48,606,839
Financial liabilities							
Due to banks	7,396,850	-	-	7,754,464	-	15,151,314	5,619,401
Due to customers at amortised cost	7,836,869	17,686,811	8,096,403	971,901	93	34,592,077	28,912,141
Debt issued and borrowed funds at amortised cost	-	-	-	2,852,324	-	2,852,324	1,610,319
Other financial liabilities	77,908	-	-	-	-	77,908	132,820
Total financial liabilities as at 31 December 2025	15,311,627	17,686,811	8,096,403	11,578,689	93	52,673,623	
Total financial liabilities as at 31 December 2024	12,076,939	14,973,507	7,135,641	2,088,481	113		36,274,681

48.8 Insurance risk

The principal risk the company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts, by careful selection and implementation of underwriting strategies and by use of reinsurance arrangements. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance, which is taken out to reduce the overall exposure of the company to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the company's net exposure to catastrophe losses.

MBSL Insurance Company Ltd (MBSLI), the subsidiary of the Company, operates both Life and General Insurance businesses. Major risks of Life Insurance business are:

48.8.1 Life insurance contracts

Life insurance contracts offered by the company include term assurance, endowment plans, annuity plans and group plans. Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability whichever happens earlier. Endowment products acquire a surrender value upon completion of three years.

The main risks that the company is exposed to under Life Insurance Contracts are as follows:

Mortality risk - risk of loss arising due to policy holders' death experience being different from expected.

Morbidity risk - risk of loss arising due to policy holders' health experience being different from expected.

Longevity risk - risk of loss arising due to the annuitant living longer than expected.

Investment return risk -risk of loss arising from actual returns being different from expected.

Expense risk - risk of loss arising from the expense experience being different from expected.

Policy holder decision risk - risk of loss arising due to policy holders' experiences (lapses and surrenders) being different from expected.

Prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, detailed claims handling procedures, underwriting limits to enforce appropriate risk selection criteria, actively managing and promptly pursuing claims in order to reduce its exposure to unpredictable future developments are some of the strategies, policies and procedures adopted by MBSLI to mitigate the above risks.

48. RISK MANAGEMENT (Contd.)

The most prominent risks of the General Insurance business include:

- **Risk of perils**
  Climate leading to natural disasters, behavioral trends of people due to changing life styles and technology improvements.
- **Risk of fraud**
  Risk of loss arising due to fraudulent claims.
- **Inflation risk**
  Actual cash outflow being greater than the expected outflow of a policy, due to the general inflation during the time taken from the inception of a policy to claim settlement.
- **Currency risk**
  Actual cash outflow being greater than the expected outflow of a policy, due to the currency depreciation during the time taken from the inception of a policy to claim settlement.
- **Reinsurance risk**
  The Company has to guard against any risk of default from reinsurers, risk of non-acceptance of a claim and risk of withdrawal.
- **Credit risk**
  Risk of non-payment, mainly arising from financial assets such financial investments, premium receivables from policyholders, receivables from reinsurers.

Diversification across a large portfolio of insurance contracts and geographical areas, strict claim review policies to assess claims, actively managing and promptly pursuing claims, imposing maximum claim amounts on certain contracts, routine review of all outstanding reinsurance receivables to ensure all dues are collected or set of against payables on time, confining reinsurance partnerships to globally trusted and stable reinsurance companies are key measures implemented to reduce the risks mentioned.

48.8.2 Maturity of the Group's Contingent Liabilities and Commitments

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

For issued guarantees to customers the maximum amount of the guarantees is allocated to the earliest period in which the guarantee could be called.

	2025							
Company	**On Demand Rs.'000**	**Less than 3 Months Rs.'000**	**3 - 12 Months Rs.'000**	**1-3 Years Rs.'000**	**3-5 Years Rs.'000**	**Over 5 Years Rs.'000**	**Total 2025 Rs.'000**	**Total 2024 Rs.'000**
Financial guarantees & claims to the customers	-	5,387	51,437	4,800	-	-	61,624	42,093
Total Commitments and Contingencies as at 31 December 2025	**-**	**5,387**	**51,437**	**4,800**	**-**	**-**	**61,624**	
Total Commitments and Contingencies as at 31 December 2024	195	5,846	42,617	200	-	-		48,858
Group								
Financial guarantees & claims to the customers	-	5,387	51,437	48,967	-	-	105,791	128,909
Total Commitments and Contingencies as at 31 December 2025	**-**	**5,387**	**51,437**	**48,967**	**-**	**-**	**105,791**	
Total Commitments and Contingencies as at 31 December 2024	195	5,846	42,617	8,007	-	-		56,665

The Group expects that not all contingent liabilities and commitments will be drawn before expiry of commitments.

48.9 Operational Risk

Operational risk refers to the risk that risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk. Group's integrated risk management committee and risk management division has taken necessary actions to identify and manage the company operational risk prudently and effectively.

The Company recognises that operational risk is inherent in all business activities and can bring unprecedented losses or damages to its business through direct or indirect financial loss, brand or reputational damage, customer dissatisfaction, legal or regulatory penalties if such risks are not objectively managed.

49. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes yet have been made in the objectives, policies and processes from the previous years, however, it is under constant scrutiny of the Board.

49.1 Capital Adequacy Ratio (CAR)

Central Bank of Sri Lanka introduced Finance Business Act Direction No 03 of 2018 with effect from 1st July 2018 and accordingly the Licensed Finance Companies in Sri Lanka need to maintain a minimum Tier 1 Capital and Total Capital Ratios (CAR) as shown in table below.

	31-December-2025		31-December-2024	
	Required Ratio	**Actual Ratio**	**Required Ratio**	**Actual Ratio**
Tier 1 Capital	8.50	9.00	8.50	11.97
Total Capital	12.50	13.24	12.50	14.45