CELEBRATING 30 YEARS OF
INNOVATION • STRENGTH • TRUST

RISING TO THE OCCASION:

A Story of Trust Built Over Three Decades



PAN ASIA BANK
The Truly Sri Lankan Bank

PAN ASIA BANKING CORPORATION PLC
ANNUAL REPORT 2025



PAN ASIA BANK
The Truly Sri Lankan Bank

CELEBRATING 30 YEARS OF
INNOVATION • STRENGTH • TRUST

TO THE OCCASION:

A Story of Trust Built Over Three Decades

Every legacy begins with a promise; and ours began with trust, the truest measure of value. From that promise, Pan Asia Bank was born: to uplift ambition and to rise with our people through every tide of change.

For thirty years, we have journeyed together through shifting economies, advancing technologies, and the many seasons of growth that have shaped Sri Lanka. At every turn, we rose to the occasion; standing beside our customers, our communities, and our country, grounded in the integrity and dependability that have long defined who we are.

As we mark three remarkable decades, we do so with gratitude and pride for the trust that built us, and the spirit that carries us onward. With the same conviction that has guided us from the very beginning, we look to the future; ready to rise once more, to serve, to empower, and to build.

CELEBRATING

30

YEARS OF

• INNOVATION • STRENGTH • TRUST

AS PAN ASIA BANK CELEBRATES ITS 30TH ANNIVERSARY, THE MILESTONE TELLS A STORY FAR RICHER THAN THE PASSAGE OF TIME. IT IS THE STORY OF A HOMEGROWN INSTITUTION THAT GREW, STEADILY AND CONFIDENTLY, INTO ONE OF SRI LANKA'S MOST DYNAMIC AND TRUSTED BANKS.

Over three decades, Pan Asia Bank has built a reputation defined by resilience, customer focus and a deep-rooted culture of service – proving that steady progress, guided by purpose, can create enduring impact. The Bank has expanded its national footprint and transformed its product landscape to reflect the real needs of Sri Lankan communities.

Today, its offerings span savings solutions that encourage financial discipline, children's banking services that reward long-term planning, and dedicated solutions for government pensioners.

In the corporate space, Pan Asia Bank has strengthened trade finance, foreign exchange and cash management, empowering businesses to thrive in increasingly complex markets.

At the heart of this journey lies an unwavering commitment to SMEs, recognised as the backbone of the national economy, supporting entrepreneurs through financing, knowledge-sharing and financial literacy programmes that build confidence, capability and long-term sustainability.

Digital transformation has added a new dimension to Pan Asia Bank's success story while continuous investment in people, leadership development and specialist expertise has created an agile, future-ready organisation. In addition, robust governance and data-driven risk management frameworks have reinforced trust, stability and credibility across the financial ecosystem.

Guided by a clear purpose, the Bank remains committed to being a truly Sri Lankan institution – blending global best practices with local insight and enabling prosperity for customers, meaningful careers for employees and sustainable value for shareholders, as it continues to contribute to the nation's progress with confidence and pride.





OUR SIGNIFICANT MILESTONES

1995

- Incorporated on 6th March 1995 as 'Pan Asia Bank Limited'.
- Commenced operations on 26th October 1995 at Level 21, World Trade Center with a great fanfare.
- Reported Profits in the 1st year itself.

2002

- Entered into an electronic money transfer agreement with MoneyGram for remittance services.

2004

- Changed the Bank's name to Pan Asia Banking Corporation Limited'.
- Won the Silver Award for the Turnaround Brand of the Year from Sri Lanka Institute of Marketing.

2005

- The Bank obtained a primary listing at the Colombo Stock Exchange.
- Commemorated 10th glorious year of operations.
- "Sammana" Senior Citizen Account launched for senior citizens, with the privilege of receiving their monthly interest delivered at their doorstep.

2008

- The Bank launched a special savings product 'Ranaviru Harasara' for the members of the armed forces.
- Launched Private Banking services for high-net-worth customers for the first time.

2011

- 'Ranaviru Harasara' project received Merit Certificate for Special CSR Project - 2009 from Ceylon Chamber of Commerce.
- Registered as a licensed Margin Trader with the Colombo Stock Exchange.

2013

- Joined hands with Global Climate Partnership Fund (GCPF) managed by responsAbility to promote Green lending in Sri Lanka.
- Launched the ground-breaking product 'Sammana Loans' to fulfil financial needs to retired public servants.
- Commenced 24x7 banking to provide unparallel services to customers for the first time in the Bank's history.
- Became a primary agent for Western Union Remittance Service.

2014

- The Bank was recognised as the Fastest Growing Commercial Bank in Sri Lanka - 2014 by UK based Global Banking and Finance Review.
- The Bank's flagship product 'Sammana' was recognised as the 'Most Innovative Banking Product in Sri Lanka - 2014' by Global Banking and Finance Review.

2015

- Funded the first 'Green' Asset Backed Securitisation in Sri Lanka.
- Migrated to the new Core Banking Solution - 'Finacle'.
- Recognised as the 'Fastest Growing Commercial Bank in Sri Lanka - 2015' by the Global Banking and Finance Review of UK.
- The product 'Budget Leasing' was recognised as the 'Most Innovative Banking Product in Sri Lanka - 2015'.
- Won a Merit Award at the National Business Excellence Awards organised by the National Chamber of Commerce of Sri Lanka.
- Profit for the year crossed Rs.1 billion and Total Assets passed Rs.100 billion.

2016

- Gold Award at the National Business Excellence Awards 2016 organised by the National Chamber of Commerce of Sri Lanka.
- Became part of LankaPay Common ATM Switch (CAS), offering access to ATMs across the country
- Won the Best Employer of the Year Award at the South Asian Partnership Summit and Business Awards - 2016.
- Recognised as the 'Fastest Growing Commercial Bank in Sri Lanka - 2016' for the third consecutive year.
- "Daskam" Children's savings product anointed the 'Most Innovative Banking Product in Sri Lanka - 2016' by Global Banking & Finance Review.

2017

- Won Gold Award for Banking excellence at the National Business Excellence Awards - 2017.
- Recognised as the 'Fastest Growing Commercial Bank in Sri Lanka - 2017'.
- Recognised as the 'Most User-Friendly Partner in Sri Lanka's Journey towards Digital Payments' at LankaPay Technovation Awards.

2025

- The Bank opened its Privilege Club in Colombo 07 to provide high-net-worth clients greater privacy, personalised solutions, and priority services
- Launched a dedicated Women's Banking proposition
- Crossed the landmark Rs. 300 billion asset threshold – reaching an asset base of Rs. 308 billion
- Introduced a comprehensive Sustainability Platform aligned with ESG priorities
- The Bank strengthened its market presence by opening 3 new branches, expanding its network to 88 by year-end
- Established strategic partnership with the National Chamber of Exporters(NCE), supporting export-led growth

2024

- Achieved a new profitability milestone of Rs. 4 billion for the first time in the Bank's history
- Introduced multiple structured lending and refinance programmes to meet evolving customer needs
- Launched Sri Lanka's first enterprise-wide EVIA e-signature platform, transforming internal approval processes, delivering major operational efficiencies and reducing paper usage by nearly 60%
- Introduced the 'LIME' digital customer onboarding platform, enabling fully paperless account opening within minutes and setting a new industry benchmark for seamless digital banking

2023

- Scaled up targeted refinance and sector-based lending schemes across key industries
- Formed strategic partnerships with universities and national business bodies to strengthen knowledge and enterprise ecosystems

2022

- Strengthened institutional and chamber partnerships to support business banking
- Entered into collaboration with the National Chamber of Commerce to drive SME development nationwide

2021

- Expanded SME and Retail Banking portfolios across priority economic sectors, strengthening the Bank's development footprint
- Deepened CASA and deposit franchise, reinforcing funding stability
- Achieved a historic milestone by recording profitability of Rs. 3 billion for the first time in the Bank's history

2020

- Profit for the year crossed Rs.2 Billion mark while celebrating the 25th Anniversary.
- Ranked among Business Today's 'Top 30 Business Entities in Sri Lanka 2019/2020'.
- Awarded the 'Best Green Bank in Sri Lanka ' at the Global Banking & Finance Awards 2020
- Became the first Sri Lankan bank to partner with Swiss DFI, Symbiotics for its first green bond issuance
- Runner-up in the Product Innovation category at the Client Innovation Awards 2020 organised by Infosys Finacle.

2019

- Included amongst The Business Today's 'Top 30 Business Entities in Sri Lanka for 2018/19' for the first time.
- The First Sri Lankan Bank to be recognised with the prestigious Global Climate Partnership Award'.
- Recognised at the Presidential Environment Awards 2019.

2018

- Total Asset base crossed Rs.150 billion and Profit after Tax crossed Rs.1.5 billion.
- Launched the first-ever 'Rising Interest Rate FD Product' in Sri Lanka.
- Fastest Growing Master Credit Card portfolio in Sri Lanka.



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OVERVIEW

SURGING

TO THE FOREFRONT



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ABOUT PAN ASIA BANK

MARKING THREE DECADES OF SERVICE TO THE NATION, PAN ASIA BANK HAS BUILT A DISTINCTIVE LEGACY IN SRI LANKA'S BANKING SECTOR, SHAPED BY INNOVATION, RESILIENCE AND A DEEP UNDERSTANDING OF LOCAL NEEDS. AS THE TRULY SRI LANKAN BANK, THE INSTITUTION HAS CONSISTENTLY EVOLVED WITH PURPOSE, STRENGTHENING ITS POSITION AS A TRUSTED FINANCIAL PARTNER TO INDIVIDUALS, ENTREPRENEURS AND BUSINESSES ACROSS THE COUNTRY.

Over the past 30 years, the Bank has introduced several industry-first initiatives, while navigating macroeconomic periods of unprecedented disruption. Through these challenges, Pan Asia Bank has remained steadfast in delivering financial stability, customer confidence and responsible growth. Its strong balance sheet and resilient asset portfolio have positioned it among the better-performing banks in Sri Lanka during times of economic uncertainty.

At the heart of this success is a committed and customer-centric workforce. Pan Asia Bank's people embody the values of empathy, professionalism and service excellence, ensuring that every customer interaction reflects the spirit of a Truly Sri Lankan Bank grounded in respect, trust and genuine care.

Pan Asia Bank plays a pivotal role in advancing inclusive economic growth by supporting small and medium-sized enterprises from the grassroots level, while enabling entrepreneurs to scale their ambitions. Alongside its SME focus, the Bank continues to serve the evolving needs of its corporate and retail customer base, fostering long-term partnerships built on shared progress.



The Bank is also recognised as a leading force in green financing, actively promoting sustainable lending solutions that contribute to environmental responsibility and future resilience. Guided by strong governance and a culture of continuous innovation, Pan Asia Bank successfully concluded its 30th year in 2025 as one of the most stable and forward-looking financial institutions in Sri Lanka, reinforced by a growing portfolio of local and international recognitions.

PAN ASIA BANK
The Truly Sri Lankan Bank

Pan Asia Banking Corporation PLC is a Public Limited Liability Company incorporated in Sri Lanka on 6th March 1995 under the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007. It is a Licensed Commercial Bank under the Banking Act No.30 of 1988 and listed in the Colombo Stock Exchange.

Company Registration No. PQ 48 Fitch Rating 'BBB (lka)' (Stable)



For more information - www.pabcbank.com



OUR VISION

To become the most customer preferred commercial bank in Sri Lanka

OUR MISSION

We will create the largest satisfied customer base by providing professional, personalised, secure, quality banking and financial services, using modern technology and innovative products. We will delight our customers, create a better future for employees and enhance stakeholder value.

OUR VALUES

Our Bank's foundation is built on our values, which distinguish us and guide our actions to deliver results. We conduct our business in a socially and environmentally responsible manner, respecting the laws and universal human rights to benefit communities where we work.

Act with Courage and Integrity
We stand firm for what is right and work with absolute trust and confidence in all our dealings.

Dependability
We demonstrate consistent performance by fulfilling expectations, being personally accountable and by living up to commitments.

Team Work
We are a group of strong and diverse individuals who collaborate with each other and stand unified by a clear common purpose.

Strive for Excellence
We will do our best to provide the highest quality of Banking by understanding customer needs and exceeding expectations.

Commitment
We are dedicated to the success of our organisation and stakeholders including customers, employees and ourselves.

Mutual Trust and Respect
We connect to customers, communities, regulators and each other with respect, dignity and with mutual trust.

ACCOMPLISHMENTS OF THE YEAR



1



2



3



4



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6



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10



11



12



13



14

1. **National Business Excellence Awards** - Banking Sector - Silver
2. **National Business Excellence Awards** - Excellence in Capacity Building - Merit
3. **Global Banking and Finance - Excellence in Innovation -** Workflow Efficiency Sri Lanka 2025
4. **Global Banking and Finance -** Best CSR Bank Sri Lanka 2025
5. **Global Banking and Finance -** Fastest Growing SME Bank Sri Lanka 2025

   Global Banking and Finance - Best CSR Bank, Best SME Bank, Excellence in Innovation – Workflow Efficiency Sri Lanka 2025

   International Business Magazine - Excellence in Community Impact Sri Lanka 2025, Innovation in Credit Risk Management Sri Lanka 2025 Best Digital Banking Innovation Award

   Global Business and Finance Magazine - Excellence in Digital Onboarding, Best CSR Bank, Best SME Bank

   World Economic Magazine - Best CSR Bank, Best SME Bank, Best Operational Innovation Sri Lanka 2025

   International Finance Awards - Excellence in Community Impact Sri Lanka 2025

   Brand Review Magazine - Best SME Bank Sri Lanka 2025, Best Operational Innovation Sri Lanka 2025, Leading CSR Bank Sri Lanka 2025

   GBO Awards - Best SME Bank – Sri Lanka 2025, Excellence in Innovation – Workflow Efficiency – Banking – Sri Lanka 2025

   Pan Finance Awards - Most Innovative Digital Banking Solutions - Sri Lanka 2025
6. **National ICT Awards 2025 -** In-house Category - Bronze
7. **CPM - Digital Literacy Cluster -** Silver
8. **Twenty Outstanding Companies in Best Management Practices Company Awards 2025**
9. **Banking (Private Sector)** - Merit in Best Management Practices Company Awards 2025
10. **Grand Prix -** Gold - Customer Engaged Brand of the Year (BFSI) by ACEF
11. **Maximizing Customer Engagement -** Platinum Winner by Infosys Finacle Innovation Awards
12. **Great Managers Awards**
13. **Dragons of Sri Lanka 2025**
    - Greetings to Nostalgia
    - Pan Asia Singing Calendar
    - Your Winning Vote, Cast in the right place
    - Grab Your Gift
14. **Dragons of Sri Lanka -** Innovative Idea or Concept the Year

Sri Lanka Domestic Technology & Operations Bank of the Year - Asian Banking and Finance

Business Today Top 40

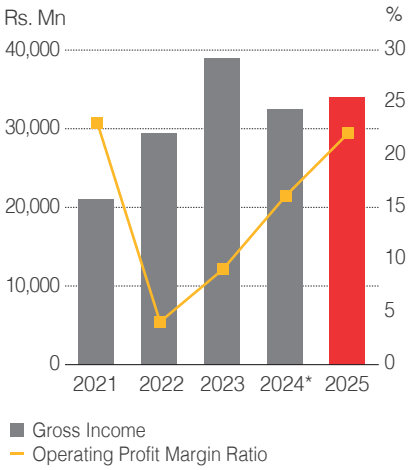
LMD Top 100

Asian Experience Awards - Sri Lanka Digital Experience of the Year - Banking

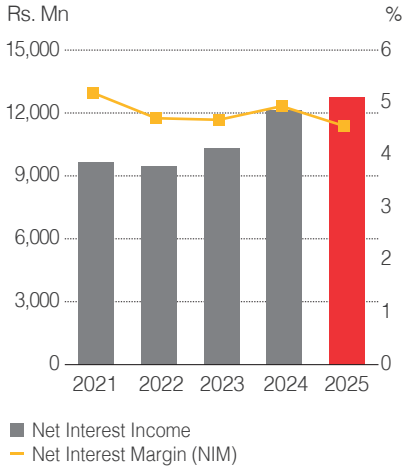
FINANCIAL HIGHLIGHTS

	2025	2024	Change %
Financial Performance (Rs. Mn)			
Gross Income	34,045.35	28,831.60	18.08
Net Interest Income	12,747.87	12,135.74	5.04
Net Fee and Commission Income	2,515.85	1,837.15	36.94
Net Gains from Trading	508.39	753.37	(32.52)
Net Other Operating Gains/(Losses)	(1.34)	(863.18)	(99.84)
Net Operating Income	15,997.62	15,177.25	5.41
Operating Profit Before Taxes on Financial Services	7,647.29	7,898.24	(3.18)
Profit Before Tax	5,820.29	6,027.51	(3.44)
Profit for the Year	4,005.58	4,134.72	(3.12)
Financial Position (Rs. Mn)			
Gross Loans and Advances	217,123.94	160,885.70	34.96
Total Assets	308,015.80	262,853.01	17.18
Due to Depositors	231,039.74	191,293.16	20.78
Shareholders' Funds	30,390.17	26,777.78	13.49
Profitability			
Net Interest Margin (%)	4.55	4.93	(7.71)
Return on Equity (%)	14.09	17.30	(18.55)
Return on Assets-After Tax (%)	1.43	1.68	(14.88)
Cost-to-Income Ratio (%)	48.94	52.68	(7.10)
Investor Information			
Earnings per Share (Rs.)	9.05	9.34	(3.10)
Net Asset Value per Share (Rs.)	68.67	60.51	13.49
Market Price per Share (Rs.)	59.90	35.00	71.14
Earnings Yield (%)	15.11	26.69	(43.39)
Price Earnings Ratio (Times)	6.62	3.75	76.53
Price to Book Value (Times)	0.87	0.58	50.00
Dividend per Share (Rs.)	1.00	1.00	-
Dividends Yield (%)	1.67	2.86	(41.61)
Dividends Payout (%)	11.05	10.71	3.17
Stability and Resilience			
Capital Adequacy			
Common Equity Tier I Capital Ratio (%) (Minimum Requirement - 7%)	16.66	19.17	(13.09)
Tier I Capital Ratio (%) (Minimum Requirement - 8.5%)	16.66	19.17	(13.09)
Total Capital Ratio (%) (Minimum Requirement - 12.5%)	18.27	20.98	(12.92)
Leverage Ratio (%) (Minimum Requirement - 3%)	8.74	8.18	6.85
Liquidity			
Liquidity Coverage Ratio (Minimum Requirement - 100%)			
Rupee (%)	204.90	264.10	(22.42)
All Currency (%)	154.97	344.37	(55.00)
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	128.52	153.44	(16.24)
Asset Quality			
Stage 3 Loans (Impaired Loans) to Total Loans (%)	1.73	3.10	(44.19)
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover) (%)	62.63	60.10	4.21
Total Impairment Provision Cover (%)	4.18	6.10	(31.48)

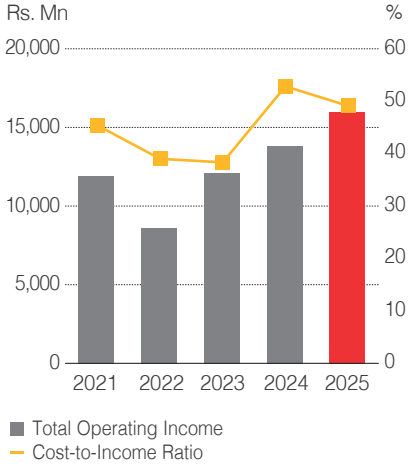
Gross Income to Operating Profit Margin



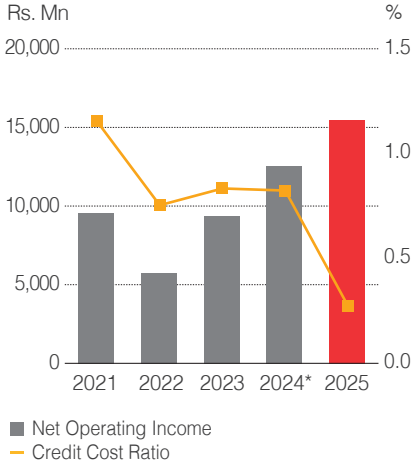
Net Interest Income to NIM



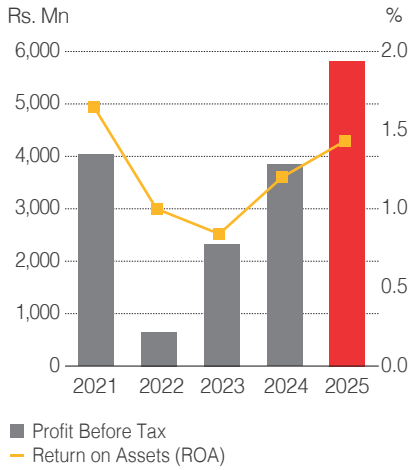
Total Operating Income to Cost-to-Income



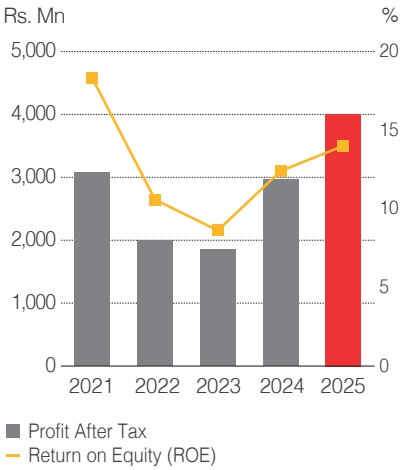
Net Operating Income to Credit Costs



Profit Before Tax to Return on Assets



Profit After Tax to Return on Equity



Increased by **34.96%**

Rs. 217.12 Bn

Loans and Advances

Increased by **20.78%**

Rs. 231.04 Bn

Due to Depositors

Increased by **13.49%**

Rs. 30.39 Bn

Shareholders' Funds

Improved by **44.19%**

1.73%

Stage 3 Loan Ratio

Increased by **4.21%**

62.63%

Stage 3 Provision Cover

2024* - Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.

CHAIRMAN'S MESSAGE

AS WE LOOK BEYOND 2025, WE STAND AT A DEFINING MOMENT WHERE DISCIPLINED GOVERNANCE, DIGITAL LEADERSHIP AND SUSTAINABILITY CONVERGE TO SHAPE A STRONGER FUTURE. OUR AMBITION IS NOT ONLY TO GROW, BUT TO HELP BUILD A MORE RESILIENT, INCLUSIVE AND CLIMATE-READY SRI LANKAN ECONOMY—ONE WHERE RESPONSIBLE BANKING BECOMES A CATALYST FOR NATIONAL PROGRESS AND LASTING PROSPERITY.

Return on Equity*

14.09%

Increased by **13.56%**

Market Price per Share

Rs. 59.90

Increased by **71.14%**

Earnings per Share*

Rs. 9.05

Increased by **35.09%**

* Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.



CHAIRMAN'S MESSAGE

Dear Shareholder,

I am pleased to present the Annual Report and Audited Financial Statements of Pan Asia Banking Corporation PLC for the year ended 31st December 2025. This year has been one of progress and resilience, marked by steady economic recovery and renewed confidence in Sri Lanka's financial system. Despite global uncertainties and domestic challenges, we strengthened our position as a trusted financial partner, delivering sustainable growth and creating long-term value for our shareholders.

Our commitment to prudent governance, innovation and sustainability has enabled us to navigate a dynamic environment while supporting the nation's development agenda.

Economic Backdrop

Sri Lanka's economic environment showed continued stabilisation during 2025, reflecting the cumulative impact of policy reforms and improved macroeconomic discipline. Price pressures remained contained for most of the year before gradually normalising, supported by a transparent and consistent monetary policy framework. These conditions helped improve predictability across the economy and rebuild confidence within the financial system, notwithstanding temporary disruptions arising from adverse climatic events.

Economic activity progressed at a measured and sustainable pace, supported by the recovery of tourism related services, construction activity and a gradual strengthening of domestic demand. External sector conditions improved further, aided by resilient foreign inflows and ongoing efforts to restore fiscal and debt sustainability. Globally, growth remained moderate and uneven, with easing inflation and more stable financial conditions offset by persistent geopolitical and trade related uncertainties. Against this backdrop, the external environment reinforced the importance for Sri Lanka of sustaining reform momentum, strengthening resilience and encouraging diversified, sustainable growth over the medium term.

Regulatory Developments and Policy Shifts

The regulatory framework governing the banking sector continued to evolve during 2025, with policy developments aimed at enhancing governance standards, safeguarding financial stability and reinforcing confidence in the financial system. Key measures introduced by the Central Bank strengthened the clarity and effectiveness of monetary policy transmission, while regulatory directives relating to corporate governance placed greater emphasis on Board responsibility, independence and oversight. These initiatives required banks to further embed environmental, social and governance considerations into strategic deliberations and to strengthen Board level committee structures and control frameworks.

Regulatory attention was also directed toward strengthening resilience to emerging and systemic risks. Enhanced supervisory expectations relating to recovery planning and the identification of systemically important institutions contributed to strengthening the stability of the banking system. In addition, increased regulatory focus on technology, cybersecurity and digital payment systems elevated standards of operational soundness, consumer protection and market integrity. Together, these policy and regulatory measures supported the development of a more resilient, well governed and forward looking banking sector, aligned with the broader objectives of financial system stability and sustainable economic growth.

Performance and Shareholder Value

Pan Asia Bank's performance in 2025 reflects the Board's steadfast commitment to disciplined capital management, earnings quality, and sustainable long term value creation for shareholders. In a year characterised by a return to more normalised operating conditions, the Bank recorded a Profit After Tax of Rs. 4.0 billion and Earnings Per Share of Rs. 9.05. Importantly, these results were achieved without the benefit of the exceptional income realised in the prior year, underscoring the resilience of the Bank's core earnings base. The Board remains confident that this measured and prudent approach positions the Bank well to deliver consistent value across economic cycles.

The Bank continued to strengthen intrinsic shareholder value during the year. Net Asset Value per Share increased by 13.49% to Rs. 68.67, supported by retained earnings and prudent balance sheet stewardship. Return on Equity of 14.09% reflected a reasonable and sustainable return profile, consistent with the Board's commitment to capital preservation, financial resilience and long term value creation.

In line with the Bank's consistent dividend philosophy, the Board recommended a final Dividend Per Share of Rs. 1.00, maintaining continuity in shareholder distributions. This balanced approach to capital allocation ensures that shareholders receive steady returns while sufficient capital is retained to support future opportunities and reinforce the Bank's long term financial strength.

The strengthening of intrinsic value was positively reflected in market performance during the year. Pan Asia Bank's share price increased from Rs. 35.00 at the beginning of 2025 to Rs. 59.90 at year end, representing an appreciation of approximately 71%, while market capitalisation increased to around Rs. 26.5 billion. This performance indicates a favourable market re assessment of the Bank's fundamentals, governance standards and future earnings potential. Overall, the Board is satisfied that 2025 delivered a balanced shareholder

outcome, combining growth in intrinsic value, stable dividends, reasonable returns and strengthened market confidence.

Risk Management and Governance Excellence

During the year under review, the Board continued to strengthen the Bank's governance and risk oversight framework to ensure alignment with evolving regulatory expectations and the Bank's long term strategic objectives. Board level focus was placed on reinforcing accountability, effective committee oversight and the integration of environmental, social and governance considerations into governance and decision making processes.

The Board also maintained close oversight of the Bank's preparedness to manage emerging and systemic risks. Enhancements to recovery planning, stress testing and resilience frameworks were undertaken to support sound capital and risk management under adverse conditions, in line with prudential expectations and the responsibilities of a systemically important institution.

These measures reflect the Board's commitment to strong governance, prudent risk stewardship and financial resilience, ensuring that Pan Asia Bank remains well positioned to safeguard stakeholder interests while supporting sustainable and responsible growth.

Digital Transformation and Customer-Centric Innovation

During the year under review, the Bank continued to invest prudently in technology and digital platforms, recognising digital transformation as a key enabler of long term competitiveness and customer trust. These investments focused on strengthening system resilience, enhancing security and improving accessibility, with the objective of delivering secure, seamless and customer centric banking solutions. The Bank's digital agenda remains closely aligned with its broader strategic priorities for 2026/2027, ensuring that technological advancement supports responsible growth and operational efficiency.

Looking ahead, the Board remains committed to ensuring that digital progress translates into tangible value for stakeholders. Digital capabilities are seen not only as a means of enhancing customer experience, but also as a platform to promote financial inclusion, support national development and strengthen the resilience of the financial ecosystem. Guided by a focus on governance and sustainability, the Bank will continue to advance a balanced digital strategy that meets evolving customer expectations while reinforcing long term shareholder value.

Commitment to Climate Resilience and Sustainability

Climate resilience was translated into tangible action during 2025, reflecting the Board's commitment to embedding sustainability into the Bank's long term strategy. The Bank expanded green financing initiatives across renewable energy, climate smart agriculture and energy efficient housing, aligning its activities with national sustainability priorities and regulatory expectations. These efforts supported the transition toward more resilient and environmentally responsible economic activity.

Alongside financing initiatives, the Bank advanced sustainability within its own operations through the acceleration of paperless processes, improved energy efficiency and responsible procurement practices. At the same time, financial literacy initiatives were strengthened-particularly for SMEs and women entrepreneurs to promote inclusive participation in economic growth. Together, these actions reinforce the Bank's approach to sustainability as a shared responsibility, supporting both environmental resilience and inclusive development.

Strategic Vision

Our strategic vision for 2026/2027 is both clear and compelling. We aim to position Pan Asia Bank as a leading mid-sized institution with an asset base with Rs. 400 billion, supported by a diversified portfolio, digital leadership, and sustainability-driven growth. This journey will be enabled by continued investment in technology, deeper use of data and analytics to enhance customer engagement, and the integration of responsible banking principles that create lasting value for customers, employees, communities and shareholders alike.

Sri Lanka's economy, which entered 2025 on a foundation of stability, has now advanced toward resilience. Inflation is normalising, monetary policy signalling has strengthened under the single-rate framework and structural reforms remain firmly on track. At the same time, the climate shocks of the year have underscored the urgency of accelerating adaptation measures and expanding inclusive finance, ensuring that growth is not only sustained but also future-read.

Appreciation and Closing Remarks

I extend my heartfelt gratitude to the Board for their guidance, to our CEO and management team for their dedication, and to our employees for their professionalism. I also thank regulators for their support and, above all, our customers and shareholders for their trust. Together, we will continue to empower progress, embrace innovation, and build a future of shared prosperity-financially sound, environmentally sustainable, and socially inclusive.



Aravinda Perera
Chairman

16th February 2026

CHIEF EXECUTIVE OFFICER'S REVIEW

IN ITS 30TH YEAR OF OPERATIONS, THE BANK DELIVERED A LANDMARK FINANCIAL PERFORMANCE, ACHIEVING ITS HIGHEST-EVER OPERATIONAL CORE PROFITABILITY. THIS REFLECTS THE STRENGTH AND SUSTAINABILITY OF ITS CORE BANKING FRANCHISE, SUPPORTED BY DISCIPLINED BALANCE SHEET MANAGEMENT, PRUDENT RISK PRACTICES, AND IMPROVED OPERATING EFFICIENCY, REINFORCING THE QUALITY AND RESILIENCE OF ITS EARNINGS BASE.

Total Assets

Rs. 308.02 Bn

Increased by **17.18%**

Total Operating Income*

Rs. 16 Bn

Increased by **15.79%**

Profit for the Year*

Rs. 4.01 Bn

Increased by **35.15%**

*Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.



CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

It is my privilege to present Pan Asia Bank's Annual Report for the year ended 31st December 2025, a year that tested our resilience and strengthened our resolve. As we marked our 30th anniversary during this year, we reaffirmed our vision to transform challenges into opportunities and to lead Sri Lanka toward a future-ready, inclusive financial ecosystem.

On a solemn note, Sri Lanka faced profound challenges, from global economic headwinds to the devastating floods caused by Cyclone Ditwah, which disrupted lives and infrastructure across the nation. In the face of adversity, the spirit of our people shone through. Citizens, businesses and institutions united with a shared commitment to rebuild and recover, demonstrating the power of collective action.

Pan Asia Bank played a pivotal role in this national effort by mobilising emergency relief financing, supporting SMEs to restart operations and accelerating climate resilient and digital banking solutions. Our initiatives, including disaster recovery credit lines and digital outreach platforms, were designed not only to restore stability but also to lay the foundation for sustainable growth.

Global Economic Backdrop

The global economy in 2025 experienced subdued growth amid heightened uncertainty. The International Monetary Fund (IMF) projected global GDP growth at around 3.2%, with advanced economies expanding by approximately 1.5% and emerging market and developing economies growing just above 4%, reflecting persistent divergence in growth momentum. Inflation moderated across most regions but remained above pre-pandemic levels, as monetary policy paths varied in response to uneven disinflation dynamics. Trade tensions, geopolitical risks and policy uncertainty continued to disrupt supply chains, investment flows and business confidence.

The World Bank's Global Economic Prospects highlighted a more cautious global outlook, projecting growth of around 2.3%–2.7% in 2025, citing intensified trade frictions, slowing investment and structural constraints across several major economies. While a global recession is not anticipated, the World Bank noted that growth momentum remains uneven, with developing economies facing increasing headwinds despite relative resilience in select regions.

Against this backdrop, opportunities continue to emerge globally in digitalisation, green finance and sustainable infrastructure, as capital investment increasingly shifts toward renewable energy, climate-resilient assets and technology-driven solutions. Anchored in digital transformation, ESG leadership and inclusive finance, Pan Asia Bank's strategy positioned it to navigate global headwinds while capitalising on long-term structural trends identified by global financial institutions.

Sri Lanka Economy

After recording economic growth of 5% in 2024, the fastest pace in seven years, Sri Lanka's economy was projected to expand by around 4% in 2025, reflecting continued macroeconomic stabilisation. Inflation moderated to around 5%, interest rates eased and private sector credit conditions improved, creating a more supportive operating environment for the banking sector. Progress on external debt restructuring and the continuation of IMF-supported reforms, as recognised by both the IMF and the World Bank, helped restore macroeconomic stability, strengthen fiscal discipline and rebuild investor confidence.

Several macroeconomic drivers underpinned this positive outlook. Foreign Direct Investment increased, particularly in infrastructure, renewable energy and technology-related sectors, while export performance improved on the back of apparel, IT services and agricultural diversification. The tourism sector sustained its recovery, contributing to foreign exchange inflows and service-sector growth during 2025.

Against this backdrop, the banking sector demonstrated resilience and adaptability. Liquidity conditions improved, capital buffers strengthened and non-performing loan levels continued to trend downward. At the same time, accelerated digital transformation reshaped customer engagement and operating models. Regulatory focus increasingly shifted toward ESG compliance, with green and sustainable financing emerging as an important growth avenue, aligning the sector with broader economic reforms and global sustainability priorities.

Celebrating 30 Years of Excellence and Customer-Centric Growth

Our 30-year journey reflects a continuous rise, evolving from a challenger bank to a leader in customer-centric innovation and sustainability.

Celebrating three decades of excellence, Pan Asia Bank has grown into a dynamic and customer-centric financial institution. Since its inception, the Bank has consistently embraced innovation, introducing unique products such as the Daskam Children's Savings Account, which rewards families with a 10% bonus deposit, and the Sammana Account, tailored to support pensioners with attractive benefits. For professionals and entrepreneurs, the Bank offers Aspire Savings Accounts and Business Current Accounts, designed to deliver flexibility and convenience.

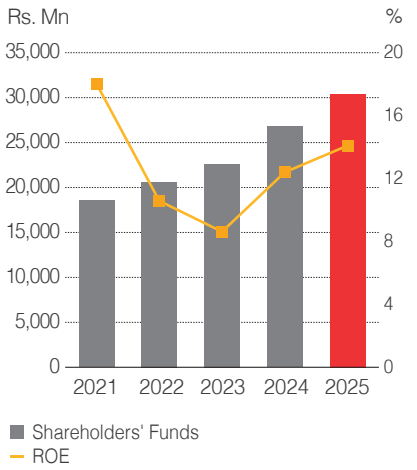
The Bank's Pawning and Gold Loan facilities provide quick access to funds, while housing and personal loans empower customers to achieve their dreams. In addition, Pan Asia Bank has strengthened its corporate banking portfolio with advanced trade finance, cash management solutions and digital banking platforms that ensure seamless transactions. Guided by a vision of resilience and progress, Pan Asia Bank's 30-year journey reflects a legacy of trust and a future driven by transformation.

Performance Highlights

These achievements underscore Pan Asia Bank's growing strength and its ability to deliver consistent results while maintaining discipline amid a dynamic operating environment. In its 30th year of operations, the Bank delivered a landmark financial performance, recording its highest-ever operational core profitability, reflecting the strength, sustainability and quality of its core banking earnings.

Profit After Tax exceeded Rs. 4 billion for the second consecutive year in 2025 underscoring the Bank's consistency in earnings delivery. Return on Equity of 14.09% and Return on Assets (after tax) of 1.43% reflected sound profitability and effective balance sheet utilisation. Earnings per Share reached Rs. 9.05, while net asset value per share improved to Rs. 68.67, further enhancing shareholder value.

Shareholders' Funds Vs ROE



The balance sheet expanded to its highest level to date, with total assets increasing by 17.18% to Rs. 308 billion, marking the highest absolute value growth in the Bank's 30-year history. Growth was driven by exceptional momentum in core lending activities, as gross loans and advances expanded by 34.96% to Rs. 217.1 billion, representing the highest absolute loan growth achieved over three decades supported by robust demand across retail, SME and corporate segments. Customer deposits grew by 20.78% to Rs. 231 billion, the strongest deposit growth recorded in the Bank's history, driven mainly by term deposit mobilisation, while the deposit base remained appropriately diversified across demand, savings and term deposit categories.

Income quality and efficiency strengthened further during the year. Net interest income rose to Rs. 12.75 billion, supported by stable pricing dynamics, while net fee and commission income increased by 36.94% to Rs. 2.52 billion, enhancing income diversification and lifting total operating income to Rs. 15.998 billion. Operational efficiency improved meaningfully, with the cost-to-income ratio declining to 48.94%, while asset quality strengthened, with the Stage 3 loan ratio improving to 1.73% and provision coverage maintained at 62.63%, reinforcing balance sheet resilience and prudent risk management.

Strategy Execution

Pan Asia Bank's strategy execution in 2025 remained closely aligned with business priorities and operating realities, ensuring that strategic intent translated into measurable outcomes across core banking activities. A disciplined execution approach focused on strengthening growth drivers, improving delivery efficiency and enhancing customer experience in line with prevailing market conditions.

Digital enablement was a key driver of business momentum. Investments in mobile and digital channels, streamlined onboarding and data-driven personalisation supported higher transaction volumes and deeper customer engagement across retail and SME segments. These initiatives improved accessibility and convenience while enabling the Bank to scale operations without proportionate cost increases.

Technology also played a central role in strengthening operational efficiency and control. Automation, improved workflow management and enhanced use of data analytics reduced turnaround times and improved service consistency and oversight. Continued focus on system integration, cybersecurity and platform stability ensured that digital expansion was supported by a resilient operating backbone.

Sustainability considerations were embedded across business and operational decision-making, with ESG principles integrated into lending, product structuring and risk assessment processes. Partnerships with fintechs, technology providers and development-focused institutions further enhanced execution by expanding capabilities and accelerating innovation. Overall, close alignment between strategy, performance and operational discipline positioned Pan Asia Bank to deliver sustainable growth, operational resilience and enduring stakeholder value.

Financial Strength & Resilience

Pan Asia Bank's financial performance in 2025 reflected the strength of its core fundamentals and disciplined balance sheet management in a

challenging operating environment. The Bank continued to reinforce resilience through prudent capital planning, sound liquidity management and robust risk governance.

Capital adequacy remained a key pillar of financial strength. The Bank maintained a CET1 Capital Ratio of 16.66% and a Total Capital Ratio of 18.27%, both comfortably above regulatory minimums. The leverage ratio improved to 8.74%, strengthening balance sheet resilience and providing capacity to absorb potential shocks while supporting measured growth.

Liquidity management continued to underpin resilience. Strong short- and long-term liquidity positions were maintained, with a Liquidity Coverage Ratio of 204.90% in Rupee terms and 154.97% on an all-currency basis, alongside a Net Stable Funding Ratio of 128.52%. These metrics reflect a stable funding profile and the Bank's ability to meet obligations under stressed conditions.

Driving Digital Transformation

2025 marked a significant step forward in Pan Asia Bank's digital platform modernisation, with focused investment in core infrastructure to strengthen scalability, resilience and security. A strategic partnership with IBM supported the modernisation of foundational systems through AI enabled observability, hybrid cloud architecture and enhanced cybersecurity, reinforcing the reliability of the Bank's digital operating environment.

Digital adoption continued to accelerate during the year, with over 80% of customer transactions now processed through digital channels. Enhancements to the Bank's payments ecosystem—including QR based transactions, API enabled banking capabilities, eKYC onboarding and improved mobile banking functionality-enabled faster, more secure and seamless customer interactions. These developments strengthened operational efficiency while supporting consistent service delivery across channels.

Commitment to Sustainability, ESG & Climate Resilience

Sustainability remains an integral part of Pan Asia Banking Corporation PLC's business approach, with emphasis on supporting environmentally responsible economic activity through targeted financing solutions. During 2025, PABC continued to expand lending for renewable energy and energy efficient investments, supporting customers across retail, SME and corporate segments in adopting more sustainable operating practices aligned with Sri Lanka's evolving environmental priorities.

In support of the transition toward cleaner transportation, the Bank maintained a focused electric vehicle (EV) financing portfolio, enabling customers to access electric mobility through structured leasing solutions. These offerings are designed to facilitate practical adoption of EVs while supporting gradual market development, rather than positioning sustainability as a standalone or promotional initiative.

Oversight and accountability remain central to the Bank's sustainability agenda. The Bank continues to align its sustainability related policies and disclosures with CBSL's Sustainable Finance Roadmap 2.0 and recognised global ESG benchmarks. Through disciplined governance and measured implementation, Pan Asia Bank is strengthening its role as a responsible financial intermediary supporting long term environmental resilience and inclusive economic progress.

Commitment to Economic Revival

The flooding experienced across several regions highlighted the economic vulnerability of communities and enterprises during periods of disruption. In response, Pan Asia Bank focused on playing a constructive role in supporting recovery by facilitating the restoration of livelihoods and local economic activity, particularly in affected regions.

The Bank introduced targeted rehabilitation financing to address immediate rebuilding needs, with emphasis on restoring cash flows and operational continuity for businesses and households impacted by the disruptions. These measures were designed to provide timely financial relief while supporting employment retention and economic stabilisation at the local level.

Beyond financial assistance, Pan Asia Bank worked with local stakeholders and public sector entities to align financing solutions with on ground reconstruction priorities. This collaborative approach helped accelerate the resumption of essential economic activity and ensured that support was directed to areas of greatest need.

As recovery efforts continue, the Bank remains focused on deploying capital toward sectors critical to economic renewal, including housing, agriculture and enterprise activity. Through these efforts, Pan Asia Bank seeks to contribute meaningfully to sustained economic recovery and community resilience.

Risk Management & Compliance

Recent events reinforced the importance of maintaining robust, adaptive and forward looking risk management frameworks. During 2025, Pan Asia Bank continued to strengthen its enterprise risk architecture to

address evolving risk exposures, while maintaining disciplined oversight across credit, market, liquidity and operational risk domains.

Risk assessment and portfolio monitoring processes were enhanced to improve early identification of emerging vulnerabilities. Stress testing frameworks were refined to evaluate a broader range of adverse scenarios, supporting informed decision making and improved preparedness under uncertain conditions.

Governance and compliance standards remained uncompromising throughout the year. The Bank operated in full compliance with Basel III requirements and Central Bank of Sri Lanka guidelines, supported by clear accountability structures, strong oversight mechanisms and reinforced risk ownership across business and support functions.

By fostering a proactive risk culture, Pan Asia Bank ensured that growth initiatives were pursued responsibly and within defined risk parameters. This disciplined approach continues to safeguard stakeholder interests and supports sustainable performance in an increasingly complex operating environment.

Awards & Industry Recognition

During the year, Pan Asia Bank achieved a significant milestone with its first time inclusion among the LMD Top 20 Corporates in Sri Lanka by Total Assets, reflecting a step change in balance sheet scale, financial strength and institutional standing. The Bank was also ranked among Sri Lanka's LMD Top 100 listed companies, reinforcing its growing prominence and sustained performance within the country's corporate landscape.

The Bank's progress during the year received further strong external validation through a range of respected local and international industry recognitions. Inclusion in the Business Today Top 40 Corporate Entities reflected the Bank's governance standards, financial resilience and institutional credibility.

Pan Asia Bank's brand and market positioning were further reinforced through recognition as the Most Admired Brand of the Year at the ACEF Leadership Awards, along with being named the Fastest Growing SME Bank in Sri Lanka by Global Brands Magazine. The Bank also received international recognition for specialist capabilities, including the Infosys Finacle Innovation Platinum Award, affirming excellence in banking technology implementation.

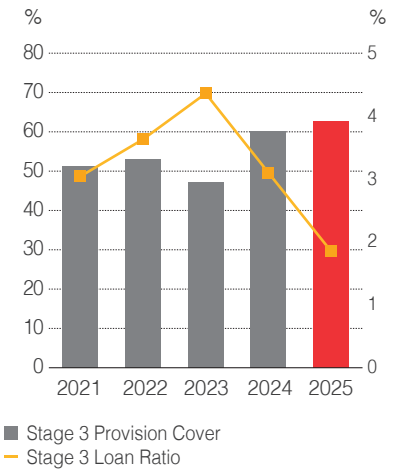
Collectively, these achievements provide independent confirmation of consistent execution across strategy, governance, digital transformation and customer centric growth, strengthening Pan Asia Bank's reputation and its rising profile within the financial services industry.

People and Culture

Our people continue to be the foundation of Pan Asia Bank's performance and long term sustainability. During 2025, the Bank placed strong emphasis on building capability, engagement and organisational resilience, ensuring that employees are supported to perform effectively in a dynamic operating environment. Structured learning and development initiatives were implemented to strengthen functional expertise, leadership skills and service excellence across the organisation.

Recognising evolving workforce expectations, Pan Asia Bank strengthened its employee value proposition through initiatives that promote career progression, diversity and inclusion, supported by clear development pathways and transparent

Asset Quality Ratios



performance management practices. Leadership development and succession planning remained key priorities, reinforcing continuity and building a strong internal talent pipeline to support future organisational needs.

Employee well being and engagement were also prioritised through wellness initiatives and recognition programmes designed to foster balance, motivation and a sense of belonging. These initiatives aim to create a supportive workplace environment that encourages collaboration, accountability and shared ownership of outcomes.

By nurturing a culture grounded in trust, empathy and performance, Pan Asia Bank seeks to create an environment where employees can grow professionally, contribute meaningfully and deliver consistent value to customers. This sustained focus on people and culture underpins the Bank's ability to remain resilient, adaptive and competitive over the long term.

Empowering SMEs & Financial Inclusion

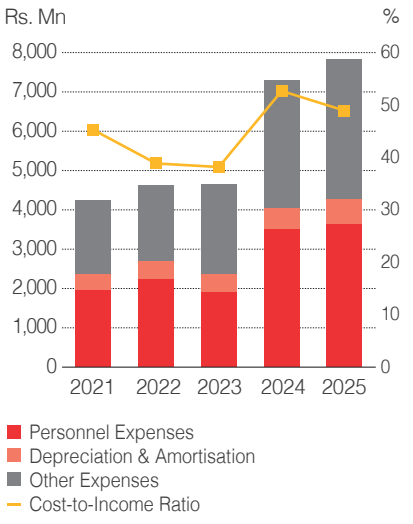
Small and medium enterprises are central to Sri Lanka's economic resilience and job creation. In support of this sector, Pan Asia Bank introduced

the SME Re Energizer Loan Scheme, providing targeted, concessional financing to help enterprises expand capacity, improve productivity and transition toward more sustainable operating models. The programme is designed to address practical business needs and support SMEs at different stages of recovery and growth.

Beyond financing, the Bank prioritised capability development to strengthen long term SME competitiveness. Through partnerships with CPM Sri Lanka and NCCSL, over 500 entrepreneurs were supported with structured training focused on financial literacy, business planning and leadership, enabling them to make better informed decisions and improve operational resilience.

Pan Asia Bank also continued to enhance access to finance for underserved segments by simplifying processes and improving outreach across regional markets. These efforts aim to reduce barriers to finance, support enterprise formalisation and extend banking access to entrepreneurs operating outside traditional urban centres, reinforcing the Bank's commitment to inclusive growth.

Cost Management



Through a combination of targeted financing, capability building initiatives and improved access to banking services, Pan Asia Bank seeks to enable SMEs to evolve into sustainable growth engines-strengthening local communities, supporting employment and contributing meaningfully to national economic development.

Outlook, Commitment and Closing Remarks

As Sri Lanka advances into the next phase of economic recovery, the operating environment presents renewed opportunity alongside greater responsibility for the banking sector. Financial institutions play a critical role not only in mobilising capital, but also in supporting entrepreneurship, strengthening productive sectors and enabling sustainable, inclusive development. Pan Asia Bank enters 2026 with confidence, supported by a resilient balance sheet, a focused strategic agenda and a clear sense of purpose. Our priorities remain centred on disciplined growth, advancing strategic priorities and embedding responsible banking practices that create enduring value for all stakeholders, aligned with national development objectives and evolving regulatory expectations.

Recent developments have underscored the importance of sustainable infrastructure, resilience planning and responsible financing. In response, Pan Asia Bank will continue to promote digital innovation, inclusive growth and responsible capital deployment, while strengthening partnerships with multilateral agencies, fintechs and development organisations to channel capital toward priority sectors such as renewable energy, affordable housing and SME development. Through these efforts, we aim to support long term economic resilience while creating shared value for communities and customers.

I extend my sincere gratitude to our Chairman, the Board of Directors and the Central Bank of Sri Lanka for their guidance and steadfast support throughout this transformative period. I also thank our shareholders, customers and employees for their continued trust and commitment, which remain the foundation of our success. With their continued support, Pan Asia Bank remains committed to its role as a trusted, future ready financial partner—transforming adversity into opportunity and contributing meaningfully to Sri Lanka's progress through technology, sustainability and sound banking fundamentals.



Naleen Edirisinghe
Director/Chief Executive Officer

16th February 2026

MANAGEMENT
DISCUSSION
AND ANALYSIS

PACING SUSTAINABLE PROGRESS



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MACROECONOMIC REVIEW

Sri Lanka stands at a pivotal crossroads of recovery, reflection, and resilience. After navigating a historic economic crisis, a period of political upheaval, and one of the most devastating natural disasters in its history, the nation spent 2025 rebuilding its economy, strengthening governance reforms, and establishing its connections with the global community. The scale of disaster has created urgent humanitarian and reconstruction needs, generating significant fiscal and balance-of-payments (BOP) pressures.

Cyclone Ditwah, which struck Sri Lanka in late November, has caused an estimated USD 4.1 billion in direct physical damage to buildings and contents, agriculture and critical infrastructure. This damage is equivalent to about 4% of Sri Lanka's GDP. The cyclone, among the most intense and destructive in Sri Lanka's recent history, severely affected close to 2 million people and 500,000 families across all 25 districts, disrupting livelihoods, essential services, and the broader economy. Agriculture suffered an estimated USD 814 million in damage and infrastructure, including roads, bridges, railways and water supply networks, accounts for the largest share of damage, at an estimated USD 1.735 billion.

As per the government budget proposals, the country is focused on strengthening fiscal discipline, aiming for a projected 5% GDP growth, reduced deficit (around 4.5-6.7% of GDP), and a significant primary surplus (around 2.3-3.8% of GDP) by balancing increased social spending with revenue generation, notably from import taxes, to build a resilient economy. Key areas included legal reforms for governance, public-private partnerships, infrastructure development and boosting exports, continuing the path set by the IMF program for stability.

Possible Impact on Banking Industry

The banking sector rebounded strongly, driven by improved asset quality, profitability, and liquidity buffers. However, after Cyclone, banks and financial institutions are likely to face default risks as affected borrowers struggle to repay loans for homes, vehicles, and machinery. Private consumption, which accounts for about 68% of GDP, is likely to decline due to reduced agricultural output, higher food prices, and income losses among rural households, alongside damage to housing and SMEs.

Widespread economic disruption is likely to exert upward pressure on Stage 3 ratios across the banking sector. The Central Bank of Sri Lanka, in view of the adverse effects of the recent cyclonic and flood disasters, issued directions to provide the relief measures to the individuals and businesses whose income or business has been directly affected in terms of moratorium. Banks must adopt a proactive approach to managing credit quality while continuing to provide financial support to customers affected by the cyclone, ensuring resilience and sustainable recovery.

South Asia Outlook

As per the World Bank latest updates, growth in South Asia is on track to exceed earlier expectations and reach 6.6% in 2025 but is expected to slow to 5.8% in 2026. The region is making progress toward addressing vulnerabilities, but risks remain. South Asian economies would be affected by spillovers from a persistent global economic slowdown and export market dislocations. Economic Effects of US Tariffs on South Asia will be a catastrophe as the contraction of export-driven industries may negatively affect the long-term growth and sustainable development gains, mainly affecting women and low-skilled workers. Short-term effects of US tariffs on South Asia vary across countries. However, these effects pose a long-term challenge of eroding the region's export-led growth model.

GDP Growth

Sri Lanka's economy in 2025 showed signs of recovery with positive GDP growth (around 4.8-5.4% in Q1-Q3), driven by industry and services, but faced challenges like high debt and poverty, with projections suggesting moderate growth (around 3.9-4.6%) for the year, supported by IMF reforms, tourism, and investment, though fiscal consolidation remained crucial. As per the World Bank latest update, Sri Lanka's economy is expected to grow by 4.5% in 2025 supported by a modest rebound in industry and steady growth in services.

In 2025, Sri Lanka's industrial sector experienced a strong recovery and expansion, with consistent growth in industrial production and positive trends in manufacturing activities throughout the year. The industrial sector consistently outperformed other sectors throughout the year, driven by strong growth in construction and mining activities. Manufacturing, particularly textiles and food production, also showed solid expansion. Cumulative merchandise exports during the year grew by 6.3%. Total export earnings for the year reached record highs, with strong performance in garments, tea, and coconut products. The services sector, the largest contributor to GDP, saw steady growth fuelled by a robust recovery in tourism (highest arrivals since 2018) and high growth in financial services and IT/BPM exports. Tourism sector remarked on a record-breaking year with the highest tourist arrivals in history by late December 2025, boosting service sector earnings.

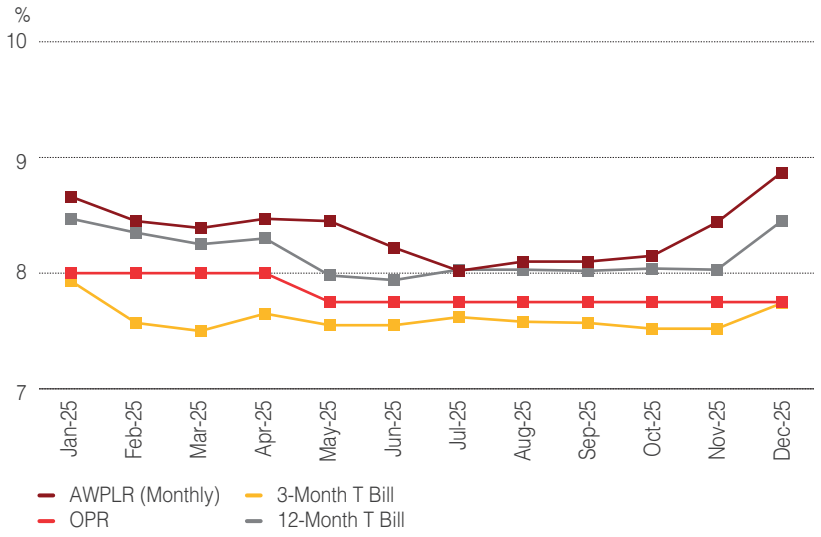
Construction sector recovered strongly, with positive growth in Q1, Q2 and Q3

2025, driven by infrastructure projects and government spending. Agriculture in 2025 showed mixed results, with overall positive growth driven by expansions in tea, cereals, and animal production, but facing challenges in rubber, vegetables, and fisheries, influenced by weather and seasonal factors. However, the agriculture sector is expected to face severe setbacks as Cyclone Ditwah has devastated early-stage Maha season paddy, vegetables, and perennial crops, disrupting both current and upcoming harvests. This, combined with rising food prices, reduced production, and declining purchasing power, is likely to exacerbate food insecurity and further compromise nutritional standards.

Interest Rates

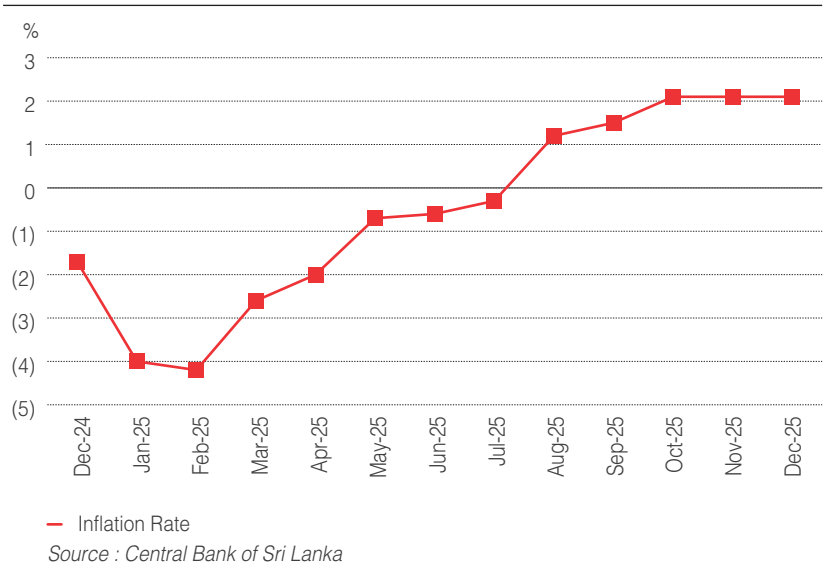
In 2025, Sri Lanka's monetary policy remained largely accommodative as the Central Bank of Sri Lanka (CBSL) pursued a supportive stance. The Overnight Policy Rate (OPR) was maintained at 8% in early 2025 amid deflationary pressures, before being reduced by 25 basis points to 7.75% in May to stimulate lending and anchor inflation toward its medium-term target of 5%. Liquidity conditions improved, and interbank rates aligned more closely with policy signals, indicating normalisation in money markets. Interest rates on government securities eased during the year, driven by a reduction in the risk premium associated. A continuous decline in the Average Weighted Prime Lending Rate (AWPLR) was observed first half of the year, reflecting improved liquidity conditions and accommodative monetary policy. However, upward pressure on interest rates emerged in the latter part of the year as the government incurred substantial expenditure to fund relief measures for Cyclone Ditwah victims. The disaster has created significant strain on public finances due to emergency relief, displacement support, and infrastructure rehabilitation. The government has already declared a State of Emergency, released Rs. 1.2 billion in immediate assistance, and allocated Rs. 30 billion in the 2025 Budget for disaster-related needs. This may intensify expenditure pressures across both current and capital accounts.

Behaviour of Interest Rates



Source : Central Bank of Sri Lanka

Inflation: Y-o-Y % Change in CCPI



Source : Central Bank of Sri Lanka

Inflation

The economy experienced deflationary conditions in 2025, primarily due to subdued demand, currency stabilisation, and tight monetary policy following the economic crisis. This was reflected in negative or near-zero inflation rates during several months of the year 2025. The Colombo Consumer Price Index based headline inflation (Y-o-Y) remained at 2.1% in December 2025. This was primarily supported by the favourable statistical base effect, despite a substantial month-on-month increase in prices in December 2025 due to Cyclone Ditwah. Food inflation (Y-o-Y) remained at 3% in December 2025 while Non-Food inflation (Y-o-Y)

accelerated to 1.8% in December 2025. The CBSL expects gradual acceleration of inflation towards the target of 5% in the period ahead, with the support of appropriate policies.

Credit to Private Sector

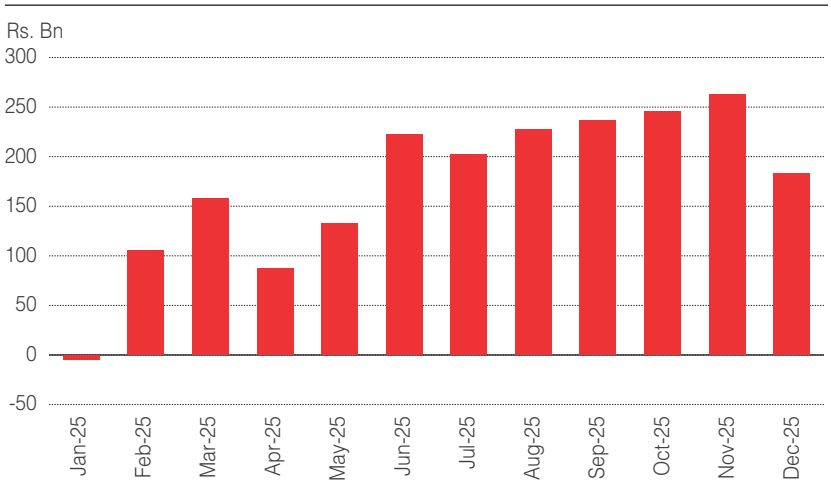
Credit to the private sector has recorded a notable and broad-based expansion in 2025, supported by the low-interest rate environment. This also reflects a recovery in economic activity as well as the realisation of pent-up demand for vehicle imports. Sectoral analysis indicates that lending to trade, manufacturing, and construction surged as economic activity accelerated.

Monetary easing earlier in the year further encouraged borrowing for consumption and capital expenditure, while pent-up demand for imports and infrastructure projects amplified credit requirements. This surge has pushed the cumulative credit for the year to a staggering Rs. 2,056 billion, reflecting a faster 25% growth compared to a year ago.

Credit Quality

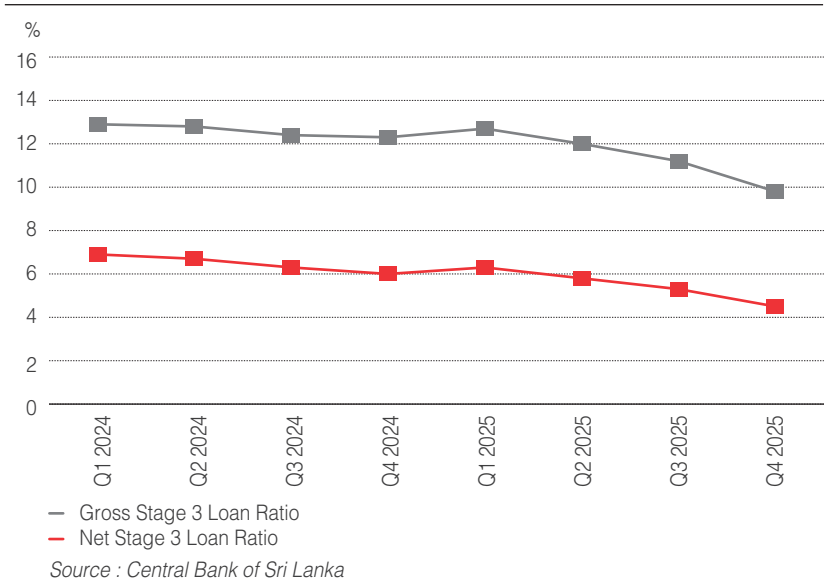
The banking sector credit quality showed mixed signals in 2025, improved resilience, profitability, and capital adequacy, alongside strong credit growth driven by economic recovery and lower rates. Gross Stage 3 Loan ratio eased to 9.8% in Dec 2025 from 12.3% reported in December 2024, reflecting improved underwriting standards. Stronger bottom-line growth across major banks was supported by lower impairment charges compared to the previous year. Stage 3 impairment coverage strengthened, reflecting banks' proactive efforts to mitigate potential credit losses and reinforce buffers against credit risk. The rapid credit growth also contributed to the improvement of credit quality standards during the year. Meanwhile Cyclone "Ditwah" is expected to adversely impact credit quality in Sri Lanka's banking sector because the disaster caused widespread business disruption, loss of income, damage to collateral, and delayed recovery-especially among SMEs and households. While the sector is fundamentally resilient, the shock will likely be reflected in rise in stage 2 and 3 loans, demanding higher impairment charges.

Monthly Movement in Credit to Private Sector



Source : Central Bank of Sri Lanka

Assets Quality - Banking Industry



Source : Central Bank of Sri Lanka

External Sector Performance

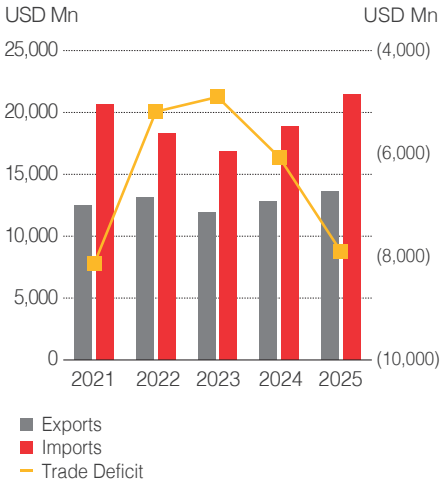
The year 2025 marked a period of mixed but generally strengthening external sector performance for Sri Lanka. While the country continued to experience pressure on its merchandise trade account, strong inflows from tourism, services exports, and workers' remittances improved the overall external position, leading to a significant current account surplus.

The current account recorded a marginal surplus in December 2025. Monthly current account surpluses were recorded in most months in 2025. As a result, the current account is estimated to have recorded a surplus of USD 1.7 billion in 2025. The merchandise trade deficit widened on a year-on-year basis in December 2025. Further, the cumulative trade deficit widened to around USD 7.9 billion in 2025 compared to 2024, despite export earnings recording a historically high level in 2025. Vehicle imports, including both personal and commercial vehicles, amounted to USD 2,047 million during 2025. The tourism income for 2025 reached approximately USD 3.2 billion, marking a modest 1.6% growth despite record arrivals of over 2.36 million visitors. Worker remittances in 2025 recorded a year-on-year growth of 22.8%, reaching approximately USD 8 billion.

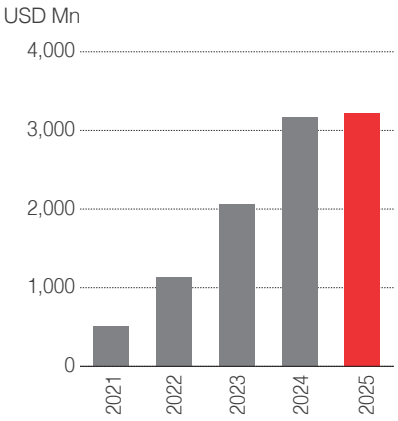
Gross Official Reserves, including the swap facility with the People's Bank of China, stood around USD 6 billion by end December 2025, amidst external debt service payments.

Overall, 2025 marked one of the strongest external sector years since the crisis period, setting a foundation for macroeconomic stabilisation going into 2026.

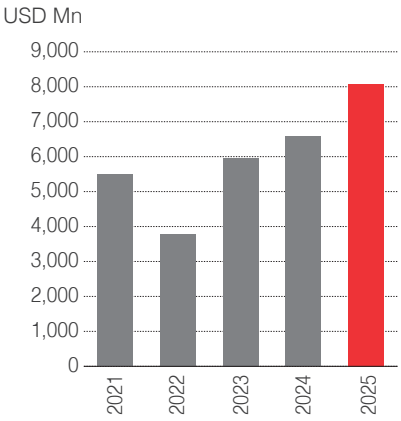
Merchandise Trade Performance



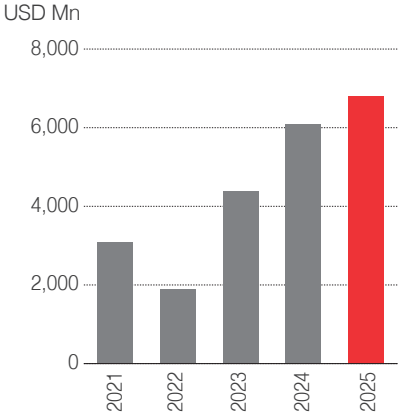
Earnings from Tourism



Worker Remittances



Gross Official Reserves



FINANCIAL REVIEW

Overview

Pan Asia Bank marked 30 years by reporting a stellar financial performance for the year ended 31st December 2025, with a PAT of over Rs. 4 billion for the second consecutive financial year, reaffirming its resilience and strategic agility amidst gradually recovering yet challenging macro-economic environment recently impacted severely by cyclone 'Ditwah' and related floods and landslides. The Bank's financial performance in the year 2025 is reflective of its robust portfolio management and disciplined cost management coupled with steadfast commitment to generate sustainable profits.

During 2025, the Sri Lankan economy achieved significant strides in restoring macro-economic stability and maintaining the stability of its financial system. Nevertheless, a severe tropical cyclone, 'Ditwah', affected Sri Lanka during late November to early December 2025, brought exceptionally heavy rainfall that resulted in widespread flooding and landslides. The event caused extensive damage to public and private infrastructure across the country, particularly in the highland districts of Kandy, Badulla, Nuwara Eliya and surrounding areas.

The World Bank estimated that the direct physical damage to critical infrastructure of the country would be around USD 4.1 billion, which represents around 4% of Sri Lanka's GDP, signalling a major macro-economic shock. The cyclone disrupted economic activity across multiple sectors, including transportation, utilities, tourism and agriculture, exacerbating pressure and uncertainty in the domestic economy, which was still recovering from the recent economic crisis. It also adversely affected Sri Lanka's economic outlook for 2026, with projected GDP growth slowing due to reduced productive capacity, supply chain disruptions, lower consumer confidence and increased reconstruction and rehabilitation costs.

The Bank has implemented its business continuity measures and assessed the operational, financial and risk management implications arising from these events. The Bank extended relief measures to affected individuals and businesses, including moratoriums and restructuring facilities, subject to eligibility criteria in line with the Central Bank of Sri Lanka Circular No. 04 of 2025.

Profitability

The Bank reported a Total Operating Income of Rs. 16 billion for the year ended 31st December 2025, with an increase of 15.79% compared to the previous year, supported by increased net interest income, net fee and commission income and net gains from derecognition of financial assets at FVOCI and reduced net other operating losses and net fair value losses from financial assets at FVPL.

The Bank's Profit Before Tax (PBT) for 2025 amounted to Rs. 5.82 billion, reflecting a marginal 3.44% decline compared to the previous year. This variance is primarily due to the extraordinary gain of Rs. 2.61 billion from the net provision reversal related to the sovereign debt exchange, which was included in last year's PBT. The Bank's Profit After Tax (PAT) for 2025 also recorded a slight decrease of 3.12% for the same reason, amounting to Rs. 4 billion. While the reported PAT for 2025 shows a modest reduction relative to 2024, adjusting for the prior year's extraordinary gain highlights a strong underlying performance demonstrating an improvement of over Rs. 1 billion, equivalent to a 35.47% increase over the previous year's normalised PAT.

	2025	2024			2024
		Underlying*	Change	Change %	As Reported
	Rs. Billion	Rs. Billion	Rs. Billion		Rs. Billion
Profit for the Year (PAT)	4.01	2.96	1.04	35	4.13

**Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.*

The Bank reported Earnings Per Share (EPS) of Rs. 9.05 for the year 2025, having marginally decreased from Rs. 9.34 in 2024. Although the reported EPS for the year 2025 shows a slight decline compared to the previous year, after adjusting for the last year's extraordinary gain reflects a clear improvement of Rs. 2.35 in EPS for the year 2025 which is 35.07% increase over the preceding year's adjusted EPS. Further, the Board of Directors has proposed a first and final cash dividend of Rs. 1/- per share for the financial year 2025, to be paid subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 31st March 2026.

	2025 Rs.	2024 Underlying* Rs.	Change Rs.	Change %	2024 As Reported Rs.
Earnings Per Share (EPS)	9.05	6.70	2.35	35	9.34

**Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.*

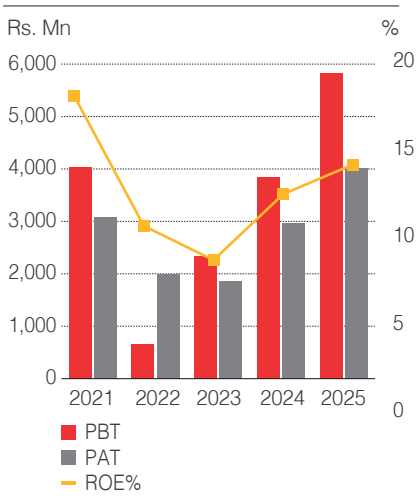
The Bank reported Return on Equity (ROE) and Post-Tax Return on Assets (ROA) of 14.09% and 1.43% respectively for the year 2025. While the reported ratios for the year 2025 show a year-on year-decline, normalising the last year's extraordinary gain indicates an impressive improvement of the ratios for the year 2025 as shown below.

	2025 %	2024 Underlying* %	Change bps	2024 As Reported %
Return of Equity (ROE) %	14.09	12.40	169	17.30
Return on Assets (ROA) %	1.43	1.20	23	1.68

**Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.*

The improvement in ROE is driven by higher earnings and operational efficiency while the improved ROA reflects better asset utilisation and risk management, collectively contributing towards the Bank's capacity to deliver strong returns to its shareholders.

Profitability



Gross Income

The Bank's Gross Income increased by 18.08% during the year under review, rising from Rs. 28.83 billion in 2024 to Rs. 34.05 billion in 2025. This growth was primarily driven by higher fee and commission income, substantial gains from the derecognition of financial assets at FVOCI, and a significant reduction in net other operating losses, net fair value losses from financial assets at FVPL, and losses arising from the derecognition of investments in international sovereign bonds compared to the previous year. When adjusting for the impact of last year's non-recurring net losses on the derecognition of Sri Lanka International Sovereign Bonds (SLISBs), the Bank's underlying performance metrics indicate a positive 5% improvement year-on-year.

	2025 Rs. Billion	2024 Underlying* Rs. Billion	Change %	2024 As Reported
Gross Income	34.05	32.53	5	28.83

**Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.*

Net Interest Income

In line with the Monetary Board of the Central Bank of Sri Lanka's policy rate reductions, market interest rates on both lending and deposits continued to moderate during 2025. This trend was clearly reflected in the Average Weighted Prime Lending Rate (AWPLR), which generally softened through the first half of the year before reaching its lowest levels during the third quarter, and subsequently firmed toward the end of 2025 signalling an interest rate environment that remained

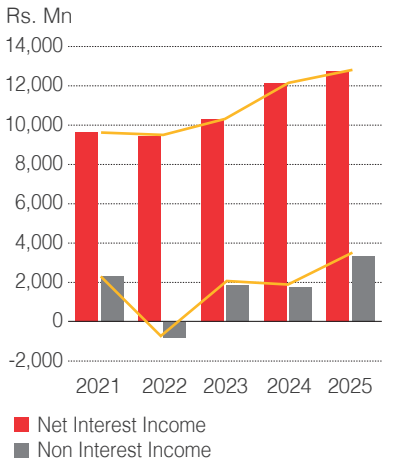
accommodative for much of the year before stabilising toward year end.

Against this backdrop, the Bank's gross interest income recorded a marginal decline of 0.25% compared to the previous year, despite loans and advances expanding by over 35%. The sustained decline in market interest rates, coupled with a strengthened funding mix driven by growth in low cost Current and Savings Deposits (CASA), contributed to a 4% reduction in interest expenses, even as the Bank's deposit base grew by more than 20% during 2025. This was further supported by the maturity of higher cost unsecured term borrowings and subordinated debentures, reflecting effective liability repricing and disciplined deposit cost management.

A key structural factor influencing NII behaviour was the Bank's strategic shift toward corporate and business banking, prioritising segments that demonstrated stronger credit quality and contributed significantly to non funded income. This rebalancing supported stability in earnings—evidenced by the remarkable growth in net fee and commission income—but also resulted in a lower blended yield on advances, as corporate and business facilities generally carry lower margins than higher yielding retail lending. The increased share of foreign currency lending, which is priced below Rupee denominated advances, further compressed asset yields.

In addition to these portfolio driven dynamics, yields on Rupee denominated government securities declined during the year in line with market responses to monetary easing and improving macroeconomic conditions. Given the size of the Bank's investment portfolio, this repricing exerted additional downward pressure on overall asset yields. Combined with the easing of market lending benchmarks such as the AWPLR and AWLR (Average Weighted Lending Rate), these trends contributed to the moderation of the Net Interest Margin from 4.93% in 2024 to 4.55% in 2025. Nevertheless, strong CASA mobilisation, timely liability repricing, and reduced reliance on high cost funding sources enabled the Bank to preserve earnings resilience and deliver year-on-year growth in Net Interest Income.

Net Interest Income vs Non Interest Income



Non-Interest Income

The Bank delivered an exceptional performance in non interest income during 2025, recording a remarkable 93% year-on-year growth, driven primarily by strong expansion in net fee and commission income, improved fair value outcomes, and a notable capital gain from the derecognition of financial assets at FVOCI. This performance underscores the Bank's continued success in diversifying its revenue streams and strengthening income stability beyond traditional interest based earnings.

Fee and Commission Income

The Bank recorded a strong 36.94% growth in net fee and commission income in 2025, supported by favourable economic conditions and higher customer activity. The largest contribution came from trade and remittance related fees, driven by revived corporate and SME business activity, greater use of trade finance services, and stronger inward remittance flows. Loan related fees also grew with increased credit demand in a low rate environment. Card related fees saw moderate improvement due to rising digital payment usage, while deposit related service fees posted steady growth supported by CASA mobilisation. Together, these trends highlight the Bank's diversified fee base and ability to leverage opportunities across key customer segments.

Trade and remittances related fee income recorded the strongest growth, more than doubling to Rs. 629.9 million (2024: Rs. 254.89 million). This expansion stemmed largely from the Bank's increased focus on business banking and the revival of corporate and SME activity, which drove higher utilisation of documentary credits, collections, and other trade finance services. The Bank also benefited from stronger vehicle related import flows, contributing to higher fees from import documentation including Letters of Credit (LCs) as well as associated settlements and trade linked foreign currency transactions.

Complementing this strong trade performance, the Bank's remittance business delivered exceptional growth of 551% during the year. Remittance income rose sharply, supported by a significant increase in inward foreign currency flows and a substantial rise in transaction volumes. The expansion of international remittance partnerships and enhancements to service delivery channels enabled the Bank to capture increased customer activity and strengthen its role in facilitating cross border transfers.

Income from loans and advances-related services increased by 32.89%, rising to Rs. 909.12 million in 2025 from Rs. 684.14 million in 2024, driven by heightened credit demand in a low-interest-rate environment and stronger lending activity across retail, SME, and business segments.

Deposit and accounts-related service fees recorded steady growth of around 10%, increasing to Rs. 426.48 million from Rs. 387.91 million in the previous year, driven by CASA mobilisation and rising transaction activity. Guarantee-related services contributed Rs. 117.4 million, reflecting an 11.20% decline from Rs. 132.21 million in 2024, consistent with subdued demand for guarantee facilities amidst evolving business conditions.

Credit card–related fee income grew by about 14.54% to Rs. 432.95 million, supported by higher card spend up nearly 30% as customer confidence and everyday digital payment usage increased. Improved portfolio quality and disciplined credit management also contributed, reinforcing credit cards as a steadily growing source of fee based income.

Net Trading Gains and Gains from FVOCI

Net gains from trading declined by 32.52% during the reporting year, attributable to lower capital gains from both the investments in unit trusts and Sri Lanka government Rupee securities classified under FVPL. However, net fair value losses from financial assets at FVPL decreased during the year 2025, owing to reduced mark-to-market losses from Sri Lanka government Rupee securities. The Bank also recorded a notable capital gain of Rs. 278.63 million as net gains from derecognition of financial assets at FVOCI.

Net Other Operating Income

The Bank recorded a substantial improvement in net other operating gains/(losses) in 2025, compared to the previous year. This positive turnaround was primarily driven by the sharp reduction in operating losses and the absence of exceptional one off expenses that had adversely impacted performance in the prior period. The improved outcome also reflects greater stability in core business activities, with lower income volatility contributing to an overall strengthening of non interest income during the year.

Credit Quality

The Bank's unwavering commitment to maintaining superior asset quality was reflected in its ability to sustain one of the lowest Stage 3 loan ratios both within the peer bank group and across the industry. The ratio improved significantly to 1.73% as at 31st December 2025, compared with 3.10% at the end of 2024, underscoring the strength of the Bank's prudent credit risk management framework and disciplined underwriting practices.

Despite challenges arising from temporary restrictions on recoveries and the extension of relief measures for borrowers affected by Cyclone Ditwah and the associated floods and landslides, the Bank proactively recalibrated its recovery strategies to mitigate potential impacts and preserve portfolio integrity.

Stage wise movements during the year reflected a clear strengthening of portfolio quality. Stage 1 loans increased by 46.75% to Rs. 195.79 billion, supported by strong new disbursements and upgrades from higher risk categories. Stage 2 loans declined by 24.31% to Rs. 10.58 billion due to improved repayment behaviour and enhanced early warning management. Stage 3 loans reduced by 20.28% to
Rs. 10.75 billion, with the decline supported by approximately Rs. 1.25 billion in write offs, alongside higher cures and improved collections. These movements highlight the effectiveness of the Bank's credit monitoring framework and its proactive management of credit migration across all stages. Reinforcing this disciplined approach, the Stage 3 Provision Coverage Ratio increased to 62.63% from 60.10%, reflecting prudent provisioning across borrowers and sectors exhibiting signs of financial stress. As a result, the Bank concluded the year with strengthened, forward looking credit quality metrics.

The open credit exposure ratio net Stage 3 exposure relative to total regulatory capital also improved, declining to 13.38% in 2025 from 20.43% in 2024, and remained much better than the industry thresholds. This was supported by the Bank's low impaired loan base and strong capital position, underscoring the effectiveness of its risk management practices.

Expected Credit Losses

The Bank recognised over Rs. 520 million in additional Expected Credit Loss (ECL) provisions during 2025, reflecting the continued recalibration of impairment models to account for emerging risks and evolving operating conditions. The year-on-year increase in impairment amounting to Rs. 5.58 billion was driven principally by the absence of the extraordinary impairment reversal recorded in 2024 on Sri Lanka International Sovereign Bonds (SLISBs). In 2024, the derecognition of SLISBs following the sovereign debt restructuring resulted in a reversal of Rs. 6.31 billion, which significantly reduced the prior year's reported impairment.

FINANCIAL REVIEW

	2025 Rs. Billion	2024 Underlying* Rs. Billion	Change Rs. Billion	Change %	2024 As Reported Rs. Billion
Impairment Charges/(Reversal)	0.52	1.25	(0.73)	(58)	(5.06)

**Underlying performance metrics exclude all accounting impacts arising from the sovereign debt restructuring that took place during 2024, which are considered non recurring in nature.*

In contrast, the 2025 charge reflects normalised provisioning aligned with the Bank's loan growth trajectory and the need to incorporate climate related credit stresses arising from Cyclone Ditwah. These provisions were influenced by the expansion of the loan book, additional management overlays, and post model adjustments introduced to capture the credit effects of severe floods and landslides, as well as heightened risk within distressed and climate sensitive borrower segments.

A Stage 3 impairment reversal of Rs. 122.23 million was recorded during 2025, driven by stronger underwriting standards and improved recoveries. Stage 1 impairment charges increased to Rs. 572.93 million as a result of robust credit growth and adjustments for forward looking climate related risks, while Stage 2 impairment charges amounted to Rs. 70.10 million, reflecting greater vulnerability within certain borrower groups affected by adverse economic and environmental conditions.

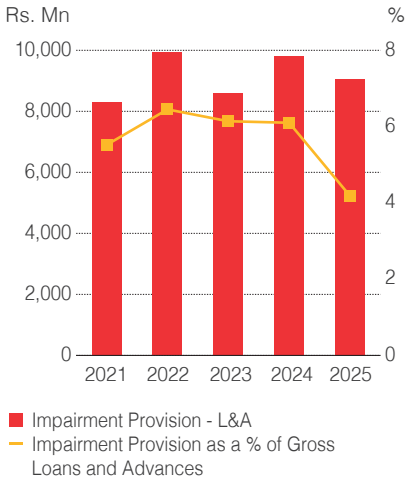
In determining the adequacy of provisions, the Bank reassessed all significant accounting judgements and estimates, taking into account the financial impact of Cyclone Ditwah and related climatic disruptions. The collective impairment models used in 2024 were maintained but refined to incorporate updated macroeconomic assumptions. Exposures in regions heavily affected by the cyclone were identified through geographic and sectoral mapping and were re staged where warranted due to increased credit risk resulting from potential repayment constraints and collateral deterioration.

For individually significant customers, detailed borrower specific assessments were undertaken to evaluate Significant Increase in Credit Risk (SICR). Conservative adjustments were applied, including extended recovery timelines and revised collateral valuations reflecting more realistic fair value estimates. At a portfolio level, the Bank assessed exposures vulnerable to both physical and transition risks associated with climate change and applied additional overlays and post model adjustments to address uncertainties in borrower cash flows and potential lag effects in credit deterioration.

Macroeconomic scenario weightings were revised to reflect heightened uncertainty following the cyclone, with an increased emphasis on the downside scenario and reduced weightings for the base and upside scenarios. Loss Given Default (LGD) assumptions were also adjusted to incorporate the risk of collateral damage, longer recovery periods and delays in insurance realisation. These refinements were incorporated through management overlays where model outputs did not fully capture prevailing risk conditions.

Management overlays and post model adjustments represented approximately eight percent of the total ECL provision for loans and advances as at 31st December 2025, underscoring the Bank's prudent approach in recognising the combined effects of portfolio growth, climate related vulnerabilities and revised macroeconomic expectations.

Impairment Provision



Operational Efficiency

The Bank continued to demonstrate its strong focus on operational efficiency, as reflected in the improvement of the Cost to Income Ratio by 374 basis points, declining from 52.68% in 2024 to 48.94% in 2025. This improvement was underpinned by robust operating income growth supported by higher net interest income, expanded fee and commission income, and a significant turnaround in other operating income combined with disciplined cost management across the organisation.

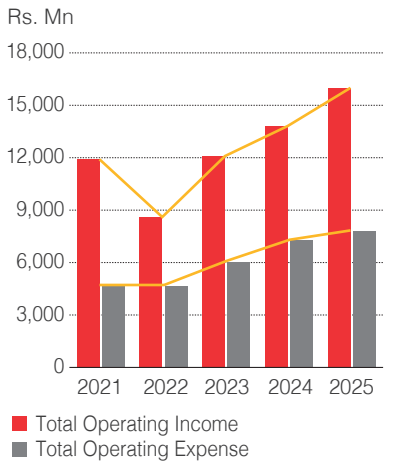
Total operating expenses increased by only 8%, rising from Rs. 7.28 billion in 2024 to Rs. 7.83 billion in 2025, demonstrating the Bank's tight cost control despite inflationary pressures and investments in growth. Personnel

expenses increased modestly by 3.57% to Rs. 3.63 billion, reflecting improved productivity and controlled staff related cost escalation.

Depreciation and amortisation increased by 16.85%, rising from Rs. 540.21 million in 2024 to Rs. 631.24 million in 2025, primarily due to the Bank's ongoing investments in technology upgrades, system enhancements, and digital infrastructure to support long term operational efficiency.

Other operating expenses grew by 10.34% to Rs. 3.57 billion, mainly driven by the opening of new branches, technological enhancement projects, and general price increases across goods and services. Despite these cost pressures, the Bank successfully contained expense growth through effective procurement strategies, streamlined operational processes, and improved oversight of administrative and support function spending.

Total Operating Income Vs Total Operating Expenses



The Bank's continued emphasis on digital transformation through automation, workflow optimisation, and expanded digital service delivery also contributed meaningfully to cost efficiencies. These initiatives reduced manual intervention, enhanced service turnaround times, and improved operating leverage by supporting increased business volumes without proportionate growth in operating expenses.

Taxation

The taxes and levies on financial services amounted to Rs. 1.83 billion in 2025, reflecting a marginal 2.34% decrease compared with the previous year. This movement aligns with the 3.18% decline in operating profit before taxes on financial services, underscoring the strong correlation between the Bank's operating performance and statutory levies such as VAT on Financial Services and the Social Security Contribution Levy.

Income tax expense recorded a decrease of 4.13% during the year, falling to Rs. 1.81 billion from Rs. 1.89 billion in 2024. This trend corresponds directly with the 3.44% reduction in Profit Before Tax, reaffirming the predictable relationship between earnings and corporate tax obligations.

The income tax expense for both 2025 and 2024 was partly offset by reversals of prior period tax over provisions amounting to Rs. 356 million and Rs. 514 million respectively, following favourable outcomes from tax appeal processes. These reversals helped mitigate the overall tax burden in both financial years.

Overall, the Bank's taxation profile for the year reflects a transparent, compliant, and responsibly managed tax position, closely aligned with its financial performance. The Bank remains committed to fulfilling its statutory responsibilities while maintaining strong governance standards in tax planning, provisioning and reporting.

Other Comprehensive Income (OCI)

The Bank recorded a total gain of Rs. 49.38 million in Other Comprehensive Income for 2025, compared with a gain of Rs. 156.01 million in the previous year. The year-on-year reduction was mainly the result of a net loss of Rs. 30.28 million arising from the fair value movement of debt instruments measured at FVOCI, reflecting the impact of interest rate changes on the valuation of government securities.

This outcome was partially offset by a revaluation surplus of Rs. 78.46million on freehold land and buildings, recognised in line with the Bank's revaluation policy. The Bank also reported an actuarial gain of Rs. 1.7 million on its defined benefit plan, reversing the actuarial loss recorded in 2024 due to more favourable actuarial assumptions applied during the year.

Despite the lower contribution from FVOCI assets, the combined effects of asset revaluations and actuarial adjustments enabled the Bank to maintain a positive OCI for the year. Consequently, the Bank reported total comprehensive income of Rs. 4.05 billion, compared with Rs. 4.29 billion in 2024, reflecting continued balance sheet stability and resilience in the face of market driven valuation movements.

Financial Stability and Resilience

The Bank delivered a strong balance sheet performance in 2025, with total assets rising to Rs. 308.02 billion, compared with Rs. 262.86 billion at the end of 2024, representing a 17.18% increase for the year. This expansion was supported by improving macroeconomic conditions and the Bank's strategic focus on strengthening its core lending activities. The year's asset growth amounting to Rs. 45 billion was driven almost entirely by the significant increase in net loans and advances, underscoring the Bank's ability to capitalise on rising credit demand.

FINANCIAL REVIEW

Composition of Assets

Loans and Advances

A central pillar of the Bank's 2025 asset expansion was its deliberate strategy to grow lending among financially resilient sectors and customers. The Bank continued to prioritise high quality, well secured exposures while maintaining a cautious stance toward industries showing signs of sustained stress. This disciplined lending approach supported strong and broad based asset expansion across Corporate, SME, and Retail segments.

The gross loan book expanded by 34.96%, rising from Rs. 160.89 billion in 2024 to Rs. 217.12 billion in 2025. Growth was broad based, reflecting heightened credit appetite and improved borrower confidence across economic sectors. Segment wise, Corporate Banking exposures increased by Rs. 20 billion, SME Banking advanced by Rs. 17 billion, and Retail Banking grew by Rs. 19 billion, collectively contributing more than Rs. 56 billion to the year's lending expansion.

As a result of these shifts, the Bank's portfolio mix evolved meaningfully during the year. The Retail sector's share of the loan book moderated to 50% (from 56% in 2024), while the Corporate and SME segments strengthened their positions, rising to 22% and 28%, respectively. This more balanced composition has enhanced risk diversification while preserving lending profitability.

Other Financial Assets

Beyond loan growth, the Bank also recorded increases in balances with the Central Bank, cash and cash equivalents, and reverse repurchase agreements, supporting liquidity and day-to-day operational requirements. Meanwhile, holdings in debt securities classified under FVOCI and FVPL were rationalised as part of the Bank's balance sheet optimisation strategy.

The Bank's asset growth in 2025 reflects its improved market positioning, prudent credit expansion, and solid execution of its lending strategy. By strengthening its asset base while maintaining a disciplined credit risk posture the Bank has built a more resilient foundation capable of supporting sustainable growth in the years ahead.

Composition of Total Assets



Funding and Deposit Structure

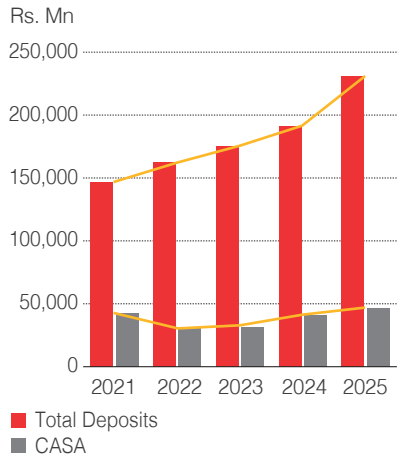
The Bank's funding base recorded strong upward momentum during 2025, with total liabilities increasing by 17.60% compared with the previous year. This growth was underpinned by the continued strengthening of the Bank's deposit franchise and the effective diversification of liability sources. Customer deposits, which remained the predominant funding component, grew by a robust 21%, reflecting enhanced customer confidence and effective mobilisation across both retail and corporate segments.

Rupee denominated deposits expanded significantly during the year, growing in line with overall customer deposit performance and reinforcing the Bank's strong domestic market presence. Foreign currency deposits also posted healthy growth, rising at a similar pace and continuing to account for approximately 16% of the deposit base, thereby ensuring a balanced funding mix between local and foreign currency sources.

Growth across deposit segments remained well distributed. Demand and savings deposits increased in tandem with overall deposit growth, reinforcing the Bank's low cost funding pool, while time deposits reflecting customer appetite for stable returns registered strong year-on-year expansion. The Bank maintained a CASA ratio of around 20%, supported by steady growth in both current and savings balances, contributing positively to the overall cost of funds.

Other funding sources similarly expanded during the year, with due to bank balances and repurchase agreements increasing in support of liquidity management operations. The Bank also continued to strengthen its liability structure by fully retiring subordinated debentures during the year, further simplifying its funding profile. Liquidity indicators remained well above regulatory thresholds, reflecting prudent liquidity risk management practices and the Bank's capacity to sustain future growth.

Total Deposits Vs CASA



Overall, the year's funding and deposit growth demonstrates the Bank's strong market positioning, effective liability management strategies, and the resilience of its customer base providing a solid foundation for sustained balance sheet expansion and long term financial stability.

Shareholders' Funds

Shareholders' funds recorded a notable expansion during the financial year, increasing to Rs. 30.39 billion as at 31st December 2025, reflecting a 13% year-on-year growth. This improvement was primarily attributable to the Bank's sustained profitability and disciplined capital management, supported by prudent transfers to statutory and regulatory reserves.

The equity base continued to strengthen across all major components. Stated capital remained at Rs. 3.61 billion, while retained earnings increased to Rs. 23.33 billion, underscoring the Bank's robust internal capital generation capacity. Statutory reserves rose to Rs.1.39 billion, consistent with regulatory requirements, and the Bank maintained its special reserve of Rs. 595.77 million, which was established in line with the Central Bank of Sri Lanka directives. In addition, valuation related reserves contributed to the uplift in total equity, with the revaluation reserve rising to Rs. 1.32 billion and the FVOCI reserve amounting to Rs. 134.85 million at year end.

As a result of these developments, the Net Asset Value per Share (NAPS) increased to Rs. 68.67, compared with Rs. 60.51 in the previous year, reflecting the cumulative impact of profit retention, reserve strengthening, and balance sheet growth.

In recognition of its solid financial performance and in keeping with its commitment to shareholder returns, the Board of Directors has recommended a first and final cash dividend of Rs. 1.00 per share for the year under review. The proposed total dividends amounting to Rs. 442.56 million, is subject to approval at the forthcoming Annual General Meeting and will be subject to the applicable withholding tax.

Overall, the continued strengthening of shareholders' funds reflects the Bank's unwavering focus on prudent balance sheet management, sustainable earnings generation, and long term value creation for its stakeholders.

Capital Management

The Bank recorded a strengthened capital position during 2025, supported by continued internal capital generation and disciplined balance sheet management. Common Equity Tier 1 (CET 1) Capital grew by 14.51% compared to the previous year, reaching Rs. 27.98 billion. Total Regulatory Capital also increased by 13.95%, rising to Rs. 30.02 billion by year end. This capital growth was primarily driven by retained earnings and sustained improvements in core profitability.

Despite the expansion in capital, the Bank's regulatory capital ratios moderated during the year due to a significant increase in Risk Weighted Assets stemming from substantial credit growth. However, the Bank continued to maintain ratios well above regulatory thresholds, with both the CET 1 and Tier 1 Capital Ratios standing at 16.66%, and the Total Capital Ratio at 18.27%. These strong capital levels reflect a sound capital position and demonstrate a robust buffer to support future growth while ensuring resilience against potential macroeconomic and credit related pressures.

The Leverage Ratio strengthened to 8.74% in 2025, compared with 8.18% in 2024 and remaining well above the regulatory minimum requirement of 3%, underscoring the Bank's enhanced balance sheet resilience and its continued capacity to support asset growth.

Maintaining strong capital buffers remains a cornerstone of the Bank's financial strategy. A sound capital position enhances stability, supports sustainable growth ambitions, and strengthens the Bank's capacity to absorb unexpected shocks. The Bank will continue to adopt forward looking capital planning practices to ensure that capital levels remain aligned with regulatory expectations, business growth trajectories, and evolving market dynamics.

Liquidity Management

The Bank's liquidity position remained robust throughout 2025, despite substantial credit expansion and heightened funding needs. Both short term liquidity measures remained well above regulatory minimums. The Rupee Liquidity Coverage Ratio (LCR) was maintained at 204.90%, while the All Currency LCR stood at 154.97%, each comfortably exceeding the minimum requirement of 100%.

Although liquidity buffers declined compared to the previous year due to accelerated loan growth and associated increases in net outflow obligations, the Bank continued to operate with a significant surplus over regulatory thresholds. This reflects the Bank's disciplined approach to liquidity management and prudent structuring of its funding profile.

Long term liquidity remained equally strong, with the Net Stable Funding Ratio (NSFR) at 128.52% well above the regulatory minimum of 100%. This ratio highlights the Bank's ability to maintain stable funding to support the expansion of its lending portfolio and overall balance sheet, even in a more competitive funding environment.

Overall, the Bank's liquidity framework ensured resilience across both short and long term horizons, reinforcing its ability to support customer needs, meet obligations under stressed conditions and sustain strategic growth.

Way Forward

As the Bank steps into its fourth decade, it does so with strengthened resilience, a clearer strategic direction and a renewed commitment to sustainable, long term value creation. The progress achieved in 2025 despite climatic disruptions and a moderating interest rate environment positions the Bank to capitalise on emerging opportunities within a gradually recovering economy, while maintaining stability across its core operations.

The Bank will continue to enhance its risk management framework by deepening climate related credit risk assessment, refining early warning indicators and strengthening forward looking ECL modelling. These measures will ensure that asset quality remains resilient, particularly in sectors that are critical to national economic expansion and most exposed to evolving environmental and macro economic pressures.

Strategic growth across Corporate, SME and Retail segments will remain central to the Bank's business model. Responsible lending practices, enhanced analytics and improved customer engagement will support balanced portfolio expansion. Business banking will continue to be a core growth contributor, while retail and SME lending will benefit from simplified processes, disciplined credit evaluation and products aligned to customer needs.

Digital transformation will advance as a key enabler of efficiency and competitiveness. Investments in automation, data analytics, digital onboarding, payment modernisation and cyber security will further strengthen operational agility and customer experience. These initiatives will also enhance the Bank's capacity to scale sustainably, delivering higher productivity without proportionate increases in cost.

Disciplined balance sheet and funding management will remain essential in a declining interest rate environment. Strengthening CASA mobilisation, diversifying fee based income and maintaining tight cost control will support earnings stability. In parallel, the Bank will continue to actively manage its regulatory ratios including capital adequacy, liquidity coverage, stable funding and leverage to ensure strong compliance, preserve resilience and maintain market confidence. Sustaining these prudential buffers well above regulatory thresholds will be vital to supporting responsible balance sheet growth.

Sustainability and ESG integration will play a growing role in shaping the Bank's operations, lending decisions and community engagement priorities. The Bank is committed to promoting financial inclusion, supporting climate resilience and aligning its strategic direction with national development objectives to ensure long term, socially responsible value creation.

As macro economic conditions stabilise, the Bank remains confident in its ability to navigate uncertainty with foresight and discipline. Supported by robust capital and liquidity positions, a strong asset base and a dedicated workforce, the Bank is well positioned to strengthen its role as a modern, customer centric and future ready financial institution. Its 30 year legacy provides a resilient foundation for the next phase of growth one defined by innovation, operational excellence and sustainable progress for all stakeholders.

FUTURE OUTLOOK

In year 2025, Sri Lanka made notable strides in strengthening macroeconomic stability while advancing policy reforms. Building on the stability regained, real economic activity sustained its momentum during this year. This was achieved amidst several shocks and uncertainties. Trade policy uncertainties, financial market volatilities, and geopolitical tensions dented the global economic outlook. Moreover, cyclone Ditwah was a major negative shock to Sri Lanka's economy in 2025, comparable in scale to previous flood disasters but occurring at a particularly sensitive point in the post crisis recovery. Sri Lankan economy needs strategic, policy focused framework to overcome climate related challenges and use climate resilience to drive long term economic growth.

Global Economy

Global growth is expected to remain steady, with the momentum in high-tech sectors set to slow but to continue to partly offset the drag elsewhere. While tariffs and uncertainty are projected to continue to weigh on the level of activity, the effect on growth is expected to fade during 2026 and 2027. As per the International Monetary Fund forecast, Global growth is projected at 3.3% for 2026. Growth in advanced economies is projected to be 1.8% in 2026 and 1.7% in 2027.

In the United States, the economy is projected to expand by 2.4% in 2026, supported by fiscal policy and a lower policy rate, while the impact of higher trade barriers also gradually wanes. In the euro area, growth is expected to remain steady at 1.3% in 2026 and at 1.4% in 2027. The slightly faster growth in 2027 reflects projected increases in public spending, notably in Germany, alongside continued strong performance in Ireland and Spain. Lingering effects of the persistent rise in energy prices after Russia's invasion of Ukraine will continue to drag on manufacturing, with additional pressure from the real appreciation of the euro relative to currencies of countries exporting similar products. In emerging market and developing economies, growth is expected to hover just above 4% in 2026 and 2027.

Global inflation is projected to continue its decline, with headline inflation falling to 3.8% in 2026 and 3.4% in 2027. A significant escalation in geopolitical tensions, particularly in the Middle East or Ukraine but possibly also in Asia and Latin America, could trigger substantial negative supply shocks. Disruption to major shipping routes, critical supply chains, and air travel could occur, leading to delays and increased costs. If key infrastructure were damaged, resulting supply constraints could drive commodity prices higher. Clear, consistent communication from central banks is crucial to navigating this unpredictable environment.

Central bank independence is paramount for macroeconomic stability and economic growth. Preserving the independence of central banks, both legal and operational, remains critical for avoiding the risk of fiscal dominance, anchoring inflation expectations, and enabling them to achieve their mandates.

Disparities in economic activity and price dynamics can complicate macroeconomic policy decisions across jurisdictions. The ongoing technology-related investment boom is likely to push real neutral interest rates upward at varying degrees given the differences in its strength across jurisdictions. This would raise the bar for policy rate cuts, more so in the United States than other economies.

Near-term risks to the global outlook are tilted to the downside. Growth could falter if trade tensions escalate, barriers rise further, or financial market sentiment deteriorates amid asset price declines, fiscal concerns, or inflation surprises. On the upside, AI-related activity could broaden, and firms' adaptability to new trade conditions could support growth.

Sri Lankan Economy

Sri Lanka enters 2026 with broadly stabilised macroeconomic conditions following a prolonged crisis period. The recovery gained momentum in 2024-2025, supported by improved policy credibility, fiscal consolidation, and easing monetary conditions. Despite global trade uncertainties, geopolitical tensions, and climate-related shocks, most notably Cyclone Ditwah in late 2025 the economy has demonstrated increasing resilience.

The World Bank has asserted that Sri Lanka's economic growth would be slowed down in 2026 and 2027. The World Bank in its latest Global Economic Prospects - January 2026 report stated that Sri Lanka's GDP is expected to grow by 3.5% in 2026 and 3.1% in 2027. The growth is to be supported by expansion in private sector credit, including household lending, improved domestic demand conditions, reconstruction and recovery spending following climate-related disruptions. While cyclone-related damage may temporarily affect supply chains and infrastructure, the economy is assessed to have greater capacity to rebound faster than in the past, reflecting improved fiscal, monetary, and external buffers. As per the Asian Development Bank, growth in Sri Lanka will be held back in 2026 by new US tariffs on key exports, even as momentum remains intact in year 2025.

These developments will likely tamp down the impact on the economy in year 2026 from a 20% tariff imposed on Sri Lankan exports to the US, mostly garments and rubber. But the tariffs

FUTURE OUTLOOK

will be more of a headwind, holding back external sector performance and consumption in 2026 because of possible job losses, both directly and indirectly.

According to the projections made prior to the Cyclone Ditwah, inflation is expected to continue to gradually rise in 2026, reaching the target by the second half of the year. There are both upside and downside risks to inflation arising from the devastation caused by the Cyclone. Which is yet to be predicted. Monetary policy will remain accommodative facilitating broad-based private sector credit growth while Policy decisions will remain data-driven and forward-looking. The exchange rate remained market-determined, relatively less volatile, and experienced gradual depreciation. The CBSL will stand to manage liquidity in line with the monetary policy stance to ensure that short-term interest rates remain aligned with the desired policy path, supporting the maintenance of inflation around the target of 5%.

Sri Lanka's external sector in 2026 is expected to remain broadly stable, building on the three consecutive years of current account surpluses achieved up to 2025. The external position has strengthened considerably compared to the crisis period, supported by reserve accumulation, a market determined exchange rate, and continued fiscal and monetary discipline.

However, global trade uncertainties, geopolitical tensions, climate related shocks, and pent up import demand particularly for vehicles pose notable risks to external sustainability during 2026.

Industrial Impact

Industrial activity in Sri Lanka during 2026 is expected to expand moderately, led by construction and domestic-demand-driven manufacturing, while export-oriented industries face a more cautious global environment.

The key industrial trend for 2026 is stabilisation with selective growth, rather than rapid industrial acceleration. The year is best characterised as a foundation-building phase, where resilience, efficiency, and sustainability take precedence over volume-led expansion.

The Manufacturing Sector

The manufacturing sector is anticipated to continue contributing to growth, but at a more modest pace after its strong recovery in 2024. The sector's contribution to economic growth is projected to remain around 20%. Manufacturing, particularly the textiles and garments industries, is expected to lead the industrial sector due to increasing new orders. The food and beverages sector is also seeing strong activity. The industrial sector faces challenges including the impact of US tariffs on key exports like apparel, which may lead to job losses. Inadequate infrastructure, rigid labour laws, high finance costs, and a lack of skilled workers remain persistent issues.

The services sector is expected to be a primary driver of the overall economy, with a projected increase in its share of GDP to 66%.

Tourism

Expected to grow by 5-10% in 2026, attracting high-value corporate travellers and supporting the current account.

IT and Technology

Identified as a high-growth sector with international demand for skilled talent in 2026 and beyond.

Construction

Expected to benefit from resumed public investment in roads and infrastructure projects, although growth will be modest due to fiscal consolidation measures.

Energy and Utilities

Rising industrial and household activity will increase electricity and energy demand in 2026.

Reconstruction & Investment

The industrial sector is likely to see activity driven by reconstruction efforts following Cyclone Ditwah, alongside a need to accelerate structural reforms to attract foreign direct investment (FDI).

Impact of Cyclone

Adverse weather conditions from the Cyclone are expected to weigh on Sri Lanka's GDP through all major expenditure components. Private consumption, which accounts for about 68% of GDP, is likely to decline due to reduced agricultural output, higher food prices, and income losses among rural households, alongside damage to housing and SMEs. Government expenditure (around 7% of GDP) is expected to rise moderately due to emergency relief measures and infrastructure repairs; however, the increase is expected to be insufficient to offset weaker private demand. Investment activity is likely to weaken as private-sector operations are disrupted, while higher public investment is expected to be directed primarily towards short-term recovery rather than growth-enhancing initiatives.

Net exports are also expected to deteriorate with agricultural and manufacturing exports expected to decline in the short term, with key contributors such as textiles and garments experiencing production and shipment delays due to flooding and power outages, while imports of food and reconstruction materials is expected to register a significant increase.

Banking Industry

Sri Lanka's banking sector enters 2026 from a position of strengthened stability and improved resilience, following the gradual easing of crisis related stresses during 2024-2025. By end 2025, banks had rebuilt capital and liquidity buffers, improved asset quality, and returned to stronger profitability.

In 2026, the sector is expected to play a supportive role in economic expansion, while operating within a more disciplined regulatory and macroprudential environment. Asset quality is expected to remain stable, with manageable downside risks under effective supervision despite Climate related impacts may affect borrowers in agriculture, SMEs, and regional businesses. Moreover, faster credit growth could reintroduce asset quality pressures if not carefully managed.

Lending growth will be moderate and broad based, supporting GDP growth without excessive risk buildup. Sector profitability in 2026 is expected to be sustainable but not excessive, aligned with system stability objectives.

The Sri Lankan banking sector enters 2026 with materially strengthened capital and liquidity positions, recovering from the extreme stress experienced during the 2022-2023 crisis period. According to the Central Bank of Sri Lanka, banks rebuilt buffers decisively during 2024-2025, supported by macroeconomic stabilisation, profitability recovery, and regulatory discipline.

In 2026, capital adequacy and liquidity management will shift from survival mode to resilience-building, enabling banks to support economic growth while retaining strong shock absorbing capacity. The Countercyclical Capital Buffer framework remains a key macroprudential priority in 2026 aiming to encourage capital build up during economic upswings and to create usable buffers for future downturns, including climate related shocks.

Regulatory Measures

The Central Bank of Sri Lanka is committed to continuously improving data coverage, granularity, and analysis to enhance forward-looking and data-driven monetary policy decision-making. The models used in policy deliberations will be continuously evaluated and improved to better reflect the structural changes taking place in the economy and to suit the evolving economic conditions.

A benchmark intra-day reference exchange rate will be introduced in 2026 to foster a transparent foreign exchange market. This benchmark will guide market participants, help reduce volatility, and promote more competitive pricing on a given date, thereby enabling the introduction of more innovative products in the foreign exchange market. The strengthening systemic risk oversight and enhancing the resilience of the banking sector through the Countercyclical Capital Buffer (CCyB) framework remains a key priority for 2026. This is designed to mitigate cyclical risks by promoting the build-up of capital buffers during good times, which can then be drawn down in times of stress.

In line with national climate initiatives, and to strengthen the resilience of the financial sector against climate-related risks, the Central Bank launched the Sustainable Finance Roadmap 2.0 in 2025. In line with its expanded scope, the Sri Lanka Green Finance Taxonomy will be broadened in 2026 to include the social dimensions of sustainable finance. The continuous supervision will be further strengthened through a comprehensive review of the regulatory framework applicable to the banking sector, including loan classification standards and risk management requirements, in alignment with the Basel Core Principles and international best practices. In parallel, the legal framework governing the non-bank financial sector is expected to be reviewed in 2026.

KEY PRODUCT OFFERINGS

LEASING

A variety of leasing products customised to take you closer to your dream vehicle. Our leasing proposition includes Pan Asia Budget plus leasing that allows you to stretch your budget while Pan Asia Business plus leasing gives you the option to fulfil your short-term cash requirements using your vehicle.

PAN ASIA LEASING

RAN ATHTHAMA

Obtain the highest value for your gold. Pan Asia Ran Aththama - a simple way to meet your urgent cash requirements, as sometimes in life, a little push is all you need.

RAN ATHTHAMA
A trusted friend by your side

BIZ FRIEND

"A business current account offering exclusive features to support your daily operations. Enjoy priority services, tailored transaction benefits, and smart financial tools that help your business run efficiently and grow confidently."

BLUECHIP MONEY MARKET

"A premium money market fund designed to deliver some of the highest interest rates in the market. Enjoy superior returns, professional fund management, and anytime access to your money—all in one powerful, low-risk investment option."

PAN ASIA BIZ FRIEND

PAN ASIA BLUECHIP MONEY MARKET SAVINGS ACCOUNT

CHAMPION SAVER

Designed to give you the best of both worlds the freedom to withdraw multiple times from your savings account while enjoying the high interest rates usually only offered on fixed deposit

CHAMPION SAVER Savings Account

CREDIT CARDS

Credit Card customers have the privilege to enjoy fantastic discounts with every swipe of their Pan Asia Bank Credit Card at local / international leading merchants and lifestyle brands across all categories.



SWABHIMANA

Swabhimana fulfils the personal loan needs of employees of selected government, semi government and private companies. Borrowers can obtain a loan of up to Rs 8 million with a repayment up to 12 years.

SAMMANA

SAMMANA is a purpose-built financial solution for government pensioners and retired, differently-abled war veterans of the Sri Lankan Tri Forces, created to empower them to realise their dreams while ensuring financial stability and a life of dignity.

HARITHA SHAKTHI

Sustainability Development Loan scheme is designed to help you and the nation to go green while offering you customised loans schemes to finance your sustainable development projects.

'REMIT MAX' REMITTANCE SERVICE

A fast, simple way to transfer (remit) money to beneficiaries in Sri Lanka, through a network of correspondent Banks, Overseas Exchange Companies, Global Money Transfer Operators like Western Union, MoneyGram, Ria and TerraPay or any other remittance partner, enabling remittance beneficiaries in Sri Lanka to collect cash from any Pan Asia Bank branch or get their remittance funds to any bank account in Sri Lanka through Pan Asia Bank.

CHILDREN SAVINGS ACCOUNTS

To secure the future of your child, Pan Asia Daskam Children's Savings account offers you an additional 10% deposit on top of each and every deposit you make to your child's account while our Mithuru Max Children's Savings account offers your children an array of amazing gifts as the account balance grows.



BUSINESS AND OPERATIONS REVIEW

Overview

The year under review represented a defining milestone in Pan Asia Bank's 30 year journey, marked by disciplined execution and historic balance sheet expansion. Building on the momentum of recent years, the Bank delivered its highest ever absolute value growth in loans, total assets, and customer deposits, underscoring the strength of its core banking franchise and the effectiveness of its strategic focus.

Operating within a gradually stabilising yet still challenging economic environment, the Bank deepened its presence in key business and retail banking segments while maintaining a prudent risk posture. A deliberate emphasis on relationship led lending, sharper customer segmentation, and targeted deposit mobilisation enabled the Bank to achieve strong volume growth without compromising portfolio quality or balance sheet resilience.

Continued investment in digital platforms, process automation, and product innovation enhanced service delivery and operational efficiency, supporting scalable growth across the franchise. These initiatives reinforced Pan Asia Bank's positioning as a modern, customer centric, and increasingly digital financial institution.

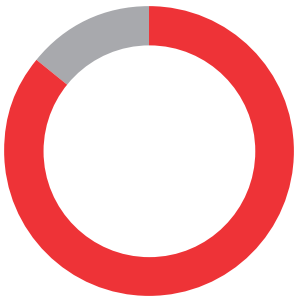
Across all major business lines, the emphasis remained on sustainable expansion, income diversification, and disciplined capital and liquidity management. This balanced approach, supported by strong governance and risk oversight, has strengthened the Bank's foundations for long term value creation.

This Business Review outlines the performance of the Bank's key business segments during the year and highlights the strategic priorities that will guide Pan Asia Bank as it progresses confidently into 2026.

"2025 MARKED A TURNING POINT WHERE WE MOVED DECISIVELY FROM REBUILDING TO REIMAGINING— STRENGTHENING RESILIENCE, ACCELERATING DIGITAL TRANSFORMATION AND LAYING THE FOUNDATIONS FOR A FUTURE WHERE PAN ASIA BANK LEADS WITH PURPOSE, INNOVATION AND IMPACT."

Retail Banking

Composition of Revenue



Net Interest Income	86%
Fee & Other Income	14%

Contribution to the Bank



Operating Income	66%
Assets	50%
Liabilities	84%

ADVANCES

Rs. 107 Bn

22%

DEPOSITS

Rs. 186 Bn

11%

Retail Banking recorded a strong and balanced performance in 2025, contributing meaningfully to the Bank's overall growth while reinforcing the stability of the retail franchise. Growth was driven by disciplined expansion across lending and deposits, supported by improved customer segmentation, prudent underwriting practices, and sustained engagement across key retail customer groups.

Retail lending gained momentum across several product categories, reflecting increased demand from financially resilient customer segments including salaried professionals, overseas income earners, pensioners and small entrepreneurs. A continued focus on relationship based lending, affordability linked product design and strengthened monitoring frameworks enabled portfolio expansion while preserving asset quality. The introduction of select bundled and value added retail propositions further enhanced customer relevance and differentiated the Bank's retail offering in a competitive market.

On the liability side, retail deposit mobilisation remained a core strategic priority. Targeted CASA growth initiatives, followed by broader customer acquisition efforts in the second half of the year, strengthened funding diversification and supported the Bank's expanding loan book. Digital channel adoption continued to deepen, improving customer convenience, transaction volumes and service efficiency, while allowing branches to focus more on advisory and relationship led engagement. Overall, Retail Banking closed the year with improved scale, stronger customer relationships and a solid platform to support sustainable growth in the period ahead.

Going forward, Retail Banking will continue to focus on sustainable growth anchored in disciplined balance sheet management, deeper customer relationships and enhanced digital enablement. The Bank will further leverage data-driven insights to deliver personalised solutions, strengthen CASA mobilisation and reinforce asset quality, ensuring a resilient and scalable platform.

Retail Credit

Sammana and Ranaviru Loans

The Sammana and Ranaviru loan portfolios continued to demonstrate a strong and resilient performance during the year, supported by improving economic conditions, stabilising interest rates and sustained confidence among senior citizens and war-hero families. The Bank's continued emphasis on tailored financial solutions and service excellence enabled steady expansion while preserving portfolio quality.

During the year, the combined Sammana and Ranaviru loan portfolio expanded by over Rs. 4.5 billion, reflecting strong demand and deepening engagement within these socially significant customer segments. Operating profitability from the portfolio also improved, supported by stable yields, disciplined credit management and strengthening repayment capacity.

Both schemes achieved their annual targets and recorded volumes above expectations, underscoring continued trust in the Bank's offerings. Building on this momentum, the planned introduction of Sammana Plus is expected to further enhance customer value through a bundled product structure, supporting longer term engagement and reinforcing the Bank's inclusive growth agenda.

Pawning

The Pawning business recorded a strong and rising performance during the year, supported by improving economic sentiment, increased transactional activity and sustained demand for short term liquidity solutions. The pawning loan portfolio expanded by nearing Rs. 6.5 billion, reflecting one of the strongest performances recorded by the product and reinforcing its role as a key growth contributor within the retail lending portfolio.

Operating profitability strengthened in line with portfolio expansion and improved utilisation levels, while asset quality remained stable, supported by disciplined valuation practices and prudent risk oversight.

Going forward, the Pawning business will continue to focus on responsible and sustainable growth through product enhancements and portfolio optimisation. ESG considerations will remain embedded within operating practices, supporting long-term resilience and value creation.

Swabhimana Personal Loan

The Swabhimana Personal Loan portfolio recorded a marginal contraction during 2025, reflecting the Bank's deliberate and cautious stance amid residual economic pressures and its focus on safeguarding borrower affordability. The contraction resulted from selective portfolio rationalisation and disciplined credit origination, ensuring balance sheet strength during the latter phase of economic stabilisation.

Despite the moderation in portfolio size, operating profitability remained stable, supported by refined pricing structures and improving repayment behaviour across retained customer segments. The scheme continued to support its core objective of enabling livelihoods and income generating activity among priority and underserved segments.

As economic conditions continue to strengthen, the Swabhimana portfolio is positioned to transition back towards balanced and sustainable growth, underpinned by improved credit quality and prudent risk management.

BUSINESS AND OPERATIONS REVIEW

Leasing

The Leasing business emerged as one of the Bank's fastest rising growth engines during the year, delivering a record performance. The leasing portfolio expanded by over Rs. 6.5 billion, representing the highest annual growth achieved in the history of the Bank's leasing business, supported by renewed market activity and increasing customer confidence.

This growth was driven by rising demand for vehicle financing, including increased adoption of electric vehicles, alongside the Bank's differentiated product propositions. Operating profitability recorded a strong increase during the year, reflecting higher volumes, improved portfolio mix and disciplined pricing.

Going forward, the Leasing portfolio is expected to sustain its rising growth trajectory, supported by continued investment in distribution capability, digital origination and segment-focused strategies.

Housing Loans

The Housing Loans portfolio delivered a steady and rising performance during the year, supported by improving affordability conditions and renewed demand for home ownership. The housing loan book recorded portfolio growth nearing Rs. 2 billion, reflecting disciplined expansion and a well defined segment based growth strategy.

Growth was driven by increased engagement with financially resilient customer segments, supported by tailored pricing and strengthened credit quality. The integrated housing-solar financing proposition continued to enhance affordability while reinforcing the Bank's commitment to sustainable lending.

Going forward, the Housing Loans portfolio is expected to remain a stable and rising contributor to the Bank's retail lending franchise, supported by prudent growth and strong portfolio oversight.

Credit Cards

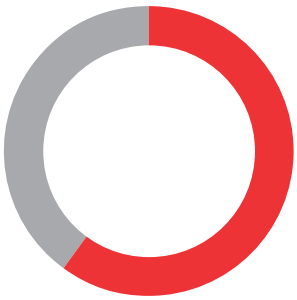
Pan Asia Bank's Credit Cards business recorded a year of rising strength and improving fundamentals in 2025, reflecting disciplined portfolio management and strengthening customer engagement within an increasingly digital payments environment. Year-on-year card spend grew by approximately 30%, supported by improving consumer confidence and more stable household cash flows. This increase translated into higher utilisation across the card base and reinforced the role of credit cards as an increasingly important contributor to the Bank's fee based income.

Portfolio growth was achieved alongside a marked improvement in asset quality. The performing credit card portfolio expanded by approximately 19%, equivalent to an increase of around Rs. 675 million during the year, while the Stage 3 credit card book declined by approximately Rs. 382 million in absolute terms. This positive shift reflects disciplined credit origination, strengthened portfolio monitoring and improving repayment behaviour, enhancing overall portfolio resilience. The improvement in portfolio quality, together with rising transaction activity, translated into stronger financial performance, with profit before tax increasing by approximately 14% in 2025 compared to the previous year.

Looking ahead, the Credit Cards business will continue to build on this upward trajectory, with a focus on prudent portfolio expansion, sustained asset quality improvement and enhanced customer value propositions. A key initiative planned for 2026 is the implementation of a new credit card management system, expected to strengthen operational capability, enable faster product innovation and significantly enhance customer experience. These initiatives are expected to support sustainable income growth, improved agility and greater scalability, positioning the Credit Cards business as an increasingly important contributor to the Bank's retail banking franchise.

SME Banking

Composition of Revenue



ADVANCES

Rs. 61 Bn

39%

Contribution to the Bank



The Small and Medium sized Enterprises (SME) segment delivered a strong and broad based performance in 2025, reflecting the steady improvement in economic conditions and a gradual strengthening of business confidence across the country. Following an extended period of subdued activity, the year marked a clear upward shift in SME momentum, supported by a recovery in key economic sectors and increasing levels of commercial activity nationwide.

Pan Asia Bank recorded its highest ever net growth in the SME lending portfolio, with net expansion exceeding Rs. 17 billion during the year. Growth was broad based and geographically inclusive, with all regions contributing positively, highlighting the widespread nature of the SME sector's recovery. Demand was observed across a diverse range of sectors, including trading, distribution, fast moving consumer goods, agriculture, coconut based industries and manufacturing. Increased engagement from tourism related SMEs in regional markets further enhanced portfolio diversification and resilience.

The Bank continued to support SME access to finance through its participation in multiple refinance and relief programmes, strengthening affordability and financial reach within the segment. Portfolio quality improved steadily during the year, with absolute non performing advances declining by nearly Rs. 1 billion, reflecting disciplined credit management, effective recovery efforts and improving borrower cash flows as operating conditions stabilised.

The SME franchise benefited from strengthened delivery capability and scalable operating platforms, enabling the Bank to respond effectively to rising demand while maintaining appropriate risk discipline. Trade related activity originating from SME customers also contributed positively, in line with increasing import, export and domestic trading activity.

Looking ahead, the outlook for the SME sector remains positive. Continued economic stabilisation, increased investment activity, infrastructure development and a gradual recovery in domestic consumption are expected to support sustained growth. With a clear focus on sector based strategies, balanced expansion and disciplined risk management, Pan Asia Bank is well positioned to deepen its SME franchise and support entrepreneurship while contributing to sustainable earnings growth in the period ahead.

Supporting Sri Lanka's First Women Led Hotel: Amba Yaalu Kandalama

In 2025, Pan Asia Bank demonstrated its leadership in sustainable and socially transformative financing by serving as the sole lender to Amba Yaalu Kandalama, a landmark project of the Thema Collection. As the exclusive financier, the Bank played an instrumental role in enabling the development of Sri Lanka's first hotel fully operated and managed by women, a milestone that redefines gender participation and leadership within the country's hospitality sector.

This pioneering resort introduces a fully women led operational model, with every function—from general management and culinary services to technical operations, maintenance, and transport—being staffed entirely by women. By supporting this trailblazing concept, Pan Asia Bank directly contributed to challenging long standing gender norms within a traditionally male dominated industry and helped catalyse meaningful, structural change in workforce inclusivity.

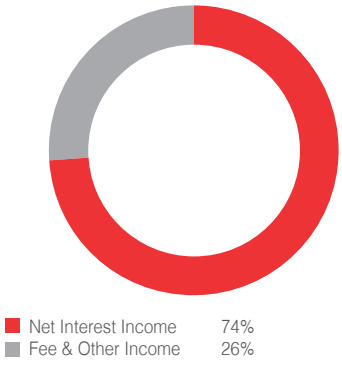
Situated along the serene banks of Kandalama Lake, the project incorporates strong environmental stewardship, including eco aligned architecture, nature based operational practices, and biodiversity conscious land use. Beyond its sustainability focus, Amba Yaalu Kandalama creates new pathways for rural women through employment, training, and long term skills development, fostering a more inclusive and resilient local economy.

By being the sole financial partner of this transformative venture, Pan Asia Bank reinforces its commitment to purpose driven, ESG aligned lending—promoting gender empowerment, sustainable tourism, and community centred economic progress across Sri Lanka.



Corporate Banking

Composition of Revenue



BUSINESS AND OPERATIONS REVIEW

ADVANCES

Rs. 48 Bn

73%

DEPOSITS

Rs. 35 Bn

103%

Contribution to the Bank



Operating Income	4%
Assets	22%
Liabilities	16%

The year 2025 marked a phase of rising strength and strategic consolidation for Pan Asia Bank's Corporate Banking division. The focus remained on reinforcing a resilient and well diversified lending portfolio while progressively strengthening the Bank's position within the corporate banking landscape. These efforts supported the Bank's broader objective of expanding earnings capacity and advancing beyond traditional domestic market boundaries.

During the year ended 2025, the Bank recorded net loan growth exceeding Rs. 20 billion, representing the highest annual expansion in its history. This growth reflected sustained upward momentum in corporate lending activity and was achieved alongside continued improvement in portfolio quality.

Stage 3 loans declined in absolute terms, underscoring disciplined credit origination, prudent portfolio selection and improving borrower cash flows. Lending to established corporates continued to underpin portfolio performance, supporting stability and scale across key industry sectors.

In parallel, the Corporate Banking division recorded deposit growth exceeding Rs.18 billion during the year, representing the highest annual increase in corporate deposits in the Bank's history. This strong performance enhanced funding diversification, supported balance sheet expansion and reinforced the division's contribution to the Bank's overall liquidity and funding strength.

Profitability of the Corporate Banking division strengthened during the year, with operating profits rising by 488% compared to the previous year. This improvement reflected the combined impact of balance sheet growth, improved portfolio quality and disciplined margin management, reinforcing the division's contribution to overall earnings performance.

Despite a competitive operating environment influenced by interest rate pressures and evolving market conditions, the Corporate Banking division maintained stability through a measured and disciplined approach to risk management.

Going forward, the Corporate Banking division will focus on sustaining this upward trajectory by enhancing fee-based income, preserving interest margins through disciplined pricing and strengthening access to low-cost, competitively priced funding. Continued emphasis will be placed on credit quality management to ensure that growth remains balanced and resilient.

Trade Services

In 2025, Pan Asia Bank recorded strong progress in its Trade Finance business, supported by rising customer engagement, enhanced product capabilities and improved market responsiveness as trade activity regained momentum across the economy. The gradual normalisation of macroeconomic conditions, together with policy measures to revive economic activity, created renewed opportunities across Sri Lanka's trade ecosystem.

A key driver of growth during the year was the lifting of restrictions on vehicle imports, which stimulated import related trade flows and foreign exchange activity. The Bank responded swiftly by enhancing its trade related financing and structured solutions, enabling it to capture a meaningful share of the revived vehicle import market. In parallel, continued expansion and diversification of the Trade Finance product portfolio supported a wider range of commodities and trade flows, contributing to higher outward remittances and deeper engagement across SME and corporate customer segments.

These initiatives resulted in a significant improvement in business performance, with Trade Finance income recording a robust year-on-year growth of 152% to Rs. 600 million in 2025. The outcome reflects both the broader recovery in trade activity and the Bank's ability to align its capabilities with evolving customer and market needs, strengthening non interest income streams and reinforcing its role within the trade ecosystem.

Going forward, the Bank will focus on sustaining this momentum by further strengthening Trade Finance capabilities, deepening client relationships and introducing innovative, value added solutions aligned with evolving trade patterns. Increased collaboration across Trade, SME and Corporate Banking, together with continued investments in process efficiency, risk controls

and trade expertise, is expected to enhance service quality, execution speed and risk discipline. As economic recovery continues, the Trade Finance business is well positioned to contribute meaningfully to earnings diversification, balance sheet strength and the Bank's long term growth strategy.

Impact of Cyclone Ditwah on Business and Operations

The latter part of the year under review was affected by Cyclone Ditwah, which caused disruption to livelihoods, infrastructure and economic activity across several regions of the country. The event presented short term challenges to the operating environment, particularly for customers with exposure to agriculture, small businesses and informal economic activity.

Pan Asia Bank's overall exposure to affected regions remained manageable and well diversified, reflecting prudent sectoral and geographic portfolio composition. While certain retail and SME customers experienced temporary cash flow pressures, the impact on the Bank's business operations and financial performance was contained. Relief granted under the moratorium framework represented a very limited portion of the portfolio, with less than 0.2% of the Bank's total loans and advances benefiting from such relief, underscoring the contained nature of credit exposure arising from the event.

The Bank responded promptly by extending targeted and responsible customer relief measures to eligible borrowers, based on individual viability and repayment capacity, while preserving overall credit discipline. From an operational perspective, the Bank's business continuity and resilience frameworks functioned effectively. Core banking systems, digital platforms and critical customer services remained fully operational, ensuring uninterrupted access to banking services, while limited branch level disruptions were addressed swiftly through contingency arrangements.

Enhanced portfolio monitoring, closer customer engagement and strengthened early warning mechanisms were applied in affected regions. In addition, the Bank prudently made additional provisions for both identified and non identified potential cyclone related impacts, reinforcing balance sheet buffers and supporting asset quality resilience.

Cyclone Ditwah further underscored the importance of climate resilience within banking operations. Going forward, the Bank will continue to strengthen climate aware risk management, operational preparedness and portfolio resilience, supporting sustainable growth while reinforcing long term balance sheet strength.

Asset Quality, Collections and Recoveries

The year under review represented one of the strongest periods of asset quality in Pan Asia Bank's history, marked by the net Stage 3 ratio declining to a historic low of 1.73%. This achievement reflects a rising standard of credit discipline, proactive portfolio surveillance, and the Bank's deliberately conservative risk posture. These outcomes were delivered amid improving macroeconomic conditions, while remaining mindful of residual risks, including climate related disruptions experienced in certain regions.

Improvements in portfolio quality were broad based across key lending segments and were driven by sharpened risk selection, sector aligned credit strategies, and strengthened post disbursement oversight. Credit growth remained selective, with a clear emphasis on customers demonstrating sustainable cash flows and resilient business models, enabling balance sheet expansion without compromising asset quality as economic activity gathered momentum.

A defining feature of the year was the Bank's forward looking and prudently rising approach to provisioning. Despite the meaningful reduction in observed credit stress reflected in the historically low net Stage 3 ratio, Management further strengthened provision buffers to protect against potential macroeconomic volatility and climate related risks. This approach enhanced loss absorption capacity, reinforced balance sheet resilience, and demonstrated a clear commitment to capital preservation through the cycle.

Collections and recoveries performance remained a key contributor to sustaining asset quality gains. Early intervention frameworks, supported by structured customer engagement and tailored repayment solutions, contributed to improved cure rates and reduced inflows into non performing status. For non viable exposures, the Bank maintained a disciplined recovery approach, ensuring orderly resolution and continued balance sheet strength.

The combined impact of rising portfolio quality, the net Stage 3 ratio reaching a historic low of 1.73%, and strengthened provision coverage of over 60% has resulted in a more resilient and well protected balance sheet.

Going forward, Pan Asia Bank will remain focused on sustaining these historically strong asset quality metrics by embedding enhanced early warning frameworks, advancing climate aware credit assessment, and maintaining disciplined credit origination and recovery practices. These measures are expected to further strengthen balance sheet resilience, safeguard capital and support sustainable, risk adjusted growth over the medium to long term.

BUSINESS AND OPERATIONS REVIEW

Deposit Mobilisation

Pan Asia Bank recorded its highest deposit growth in the Bank's history in 2025, achieving year-on-year growth of 21%, a defining milestone that underscores the institution's rising franchise strength and sustained depositor confidence. This achievement was realised against a backdrop of tightening system wide liquidity and heightened competition for deposits, highlighting the effectiveness of the Bank's disciplined and forward looking funding strategy.

Throughout the year, deposit mobilisation was guided by a balanced approach focused on funding stability, cost efficiency, and scalable growth. Strengthening the low cost deposit base remained a strategic priority, supporting a resilient funding mix and reinforcing the Bank's capacity to fund credit expansion in a measured and sustainable manner. As the year progressed, the Bank broadened its deposit growth trajectory across customer segments, enabling continued balance sheet expansion while maintaining funding discipline.

A notable strategic development during the year was the introduction of the Privilege Club, which enhanced the Bank's ability to attract and retain High Net Worth Individual (HNWI) relationships. This proposition contributed positively to deposit quality while advancing the Bank's objective of building deeper, long term customer relationships and improving the overall sustainability of its funding base.

In parallel, the Bank continued to expand its depositor base, further strengthening its retail franchise and reducing concentration risk through a more diversified funding profile. This expansion not only supported liquidity resilience in the short term but also positioned the Bank favourably to capitalise on future growth opportunities as economic activity continues to normalise.

The operating environment in 2025 was shaped by a resurgence in credit demand across key sectors of the economy, intensifying competition for deposits and exerting pressure on industry liquidity. Despite these challenges, Pan Asia Bank maintained a strong liquidity position and delivered record breaking deposit growth, reflecting prudent balance sheet management and growing market confidence in the Bank's stability and value proposition.

Going forward, the Bank remains focused on sustaining this positive momentum in deposit mobilisation through continued innovation, enhanced customer segmentation and a sharper emphasis on relationship led banking. The strategic priority for the coming year will be to deepen customer engagement, further improve the quality and stability of the deposit base and leverage digital capabilities to enhance acquisition, retention and service efficiency.

Deposit mobilisation in 2025 therefore represents not only a record achievement, but also a robust foundation from which Pan Asia Bank is well positioned to strengthen its balance sheet, support funding resilience and sustain profitable growth in the years ahead.

Remittances

The Remittance business sustained its upward trajectory in 2025, recording a notable year-on-year growth of 551% in remittance income, reinforcing its position as a key strategic growth driver for Pan Asia Bank. Building on the strong platform established in 2024, Management continued to prioritise the segment through focused strategic interventions, system enhancements, and the deepening of global partnerships—collectively driving the business to new heights.

During the year under review, the Remittance Unit delivered robust growth in both transaction volumes and inward foreign currency inflows. This translated into a strengthened contribution to the Bank's fee based income and foreign exchange earnings, in line with the Bank's broader strategy of progressively diversifying revenue streams. The performance reflects the effective execution of well defined strategies and structured action plans aimed at expanding the Bank's presence in the remittance value chain.

In line with the theme of Rising reach, the Bank expanded its network of global remittance partners during the year, extending access across key migrant corridors in the Middle East, Europe, and Asia. Targeted overseas business visits were undertaken to onboard new partners while further strengthening relationships with established money transfer operators and exchange companies, thereby enhancing the Bank's international connectivity and competitiveness.

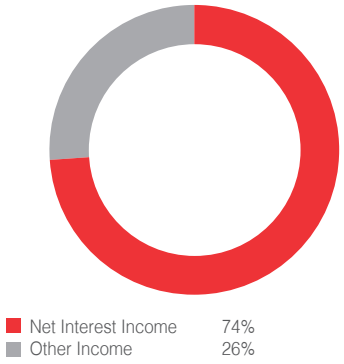
Operational capabilities were further elevated through system enhancements and process refinements implemented in collaboration with the Information Technology team. These initiatives resulted in improved efficiency, faster turnaround times, and enhanced service delivery standards. Complementing these efforts, a comprehensive internal awareness and capability building programme was rolled out across all regions and branches, ensuring consistent service quality and reinforcing a customer centric approach to remittance handling.

Targeted marketing and promotional campaigns were also executed during the year to stimulate inward remittance flows, with particular emphasis on high potential corridors and identified partner institutions. These initiatives contributed meaningfully to the rising trend in remittance volumes and income, strengthening the Bank's share of wallet in this segment.

As a result of these collective efforts, the Remittance Business Unit has emerged as an increasingly significant contributor to the Bank's overall growth agenda. Going forward, the focus will remain on rising digital integration with overseas partners, the introduction of innovative remittance-linked product offerings, and the continued expansion of the Bank's global partner network, positioning Pan Asia Bank to capture a larger share of Sri Lanka's inward remittance market in the years ahead.

Treasury

Composition of Revenue



TREASURY BONDS PORTFOLIO

Rs. 51 Bn

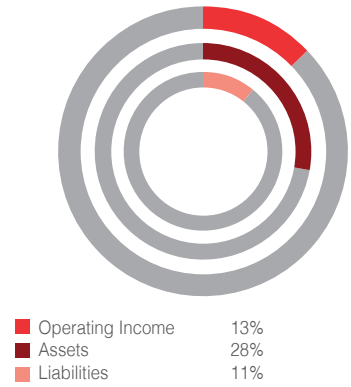
33%

TREASURY BILL PORTFOLIO

Rs. 15 Bn

71%

Contribution to the Bank



During 2025, the Treasury Division continued to increase its contribution to Pan Asia Bank's financial performance, operating within a macroeconomic environment shaped by easing interest rates, recovering credit demand and tightening system wide liquidity. Against this backdrop, the division remained focused on strengthening balance sheet resilience while supporting the Bank's growth momentum.

The year was characterised by a gradual shift towards accommodative monetary conditions, with declining interest rates aimed at supporting economic recovery. At the same time, renewed lending activity across the banking sector and heightened competition for funding placed increased pressure on liquidity. These dynamics required a disciplined and forward looking approach to liquidity positioning, funding optimisation and interest rate management.

Despite accelerating balance sheet growth, the Bank consistently maintained Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) levels well above regulatory thresholds throughout the year. This strong liquidity position enabled the Bank to support rising credit demand—particularly in income generating advance segments—while reinforcing regulatory confidence and overall balance sheet strength.

Within a declining yield environment, the Treasury Division delivered stable income outcomes through proactive balance sheet positioning and carefully timed investment decisions. Portfolio composition and duration were actively managed based on forward looking assessments of market trends, enabling yield optimisation and value creation as interest rates adjusted during the year.

Portfolio diversification remained a core element of Treasury strategy, with exposures maintained across government securities, short term funding instruments and money market placements. Engagement with corporate and institutional counterparties deepened, while market linked activities—particularly foreign exchange and interbank transactions—continued to contribute positively to overall earnings.

Risk management remained integral to Treasury operations. The division maintained close oversight of interest rate movements, liquidity dynamics and market volatility, ensuring that the treasury portfolio remained resilient amid evolving macroeconomic conditions.

Going forward, the Treasury Division will continue to align its strategy with the evolving macroeconomic outlook while preserving strong liquidity buffers and prudent funding practices. As interest rates stabilise, priority will be placed on sustaining income stability through disciplined balance sheet management, robust risk governance and measured market participation. These priorities are expected to support resilient earnings, protect capital and reinforce the Bank's balance sheet strength, enabling Treasury to continue playing a critical role in supporting sustainable growth.

BUSINESS AND OPERATIONS REVIEW

Digital Banking

The year under review marked a period of rising momentum in Pan Asia Bank's digital transformation journey, supported by growing customer adoption, continued innovation and strengthened operating capability. The Bank's Internet and Mobile Banking platforms continued to deliver secure, seamless and convenient experiences for both retail and corporate customers, while also enhancing efficiency across the branch network.

Digital channel usage increased steadily during the year, reflecting a sustained shift in customer behaviour towards self service and remote banking solutions. Monthly transaction volumes through Internet and Mobile Banking surpassed 100,000 transactions, with transaction values exceeding Rs.10 billion. This expansion translated into a digital income contribution of over Rs. 44 million for the year, underscoring the rising importance of digital channels in driving customer engagement, fee based income and long term loyalty.

The Bank remained focused on deepening digital adoption and strengthening active usage, supporting consistent growth in registrations and transaction activity. These efforts reinforced Pan Asia Bank's positioning as a customer centric and digitally progressive financial institution, while contributing to improved service reach and accessibility.

Internally, the Bank continued to advance a digital first operating culture by strengthening staff capability and ownership of digital solutions. Structured engagement, training and internal initiatives supported greater confidence in promoting digital services, improved collaboration across teams and more consistent customer experiences across channels.

Ongoing enhancements to digital platforms remained a priority. Improvements to functionality, security and user experience were implemented to ensure that solutions remained robust, intuitive and aligned with evolving customer expectations. Feedback driven refinements played an important role in strengthening reliability and overall customer satisfaction.

Going forward, Digital Banking will remain a central pillar of the Bank's growth strategy. The focus will extend beyond convenience to delivering holistic value by deepening active digital usage, supporting CASA growth and enabling more personalised customer engagement through data driven insights. Continued investment in technology, people and process will further enhance operational efficiency, strengthen platform resilience and support scalable, customer centric growth as Pan Asia Bank continues to advance its digital capabilities.

Marketing

In 2025, Pan Asia Bank marked 30 years of trusted banking, reflecting a journey of resilience, adaptability and sustained progress. Marketing initiatives during the year were directed towards reinforcing the Bank's rising brand strength while supporting its broader strategic transformation and long term value creation agenda.

The primary focus of marketing was to strengthen brand relevance, credibility and differentiation in an increasingly competitive financial services environment. As the Bank continued to advance its operational and digital transformation, marketing communications emphasised clarity, consistency and purpose, positioning Pan Asia Bank as a stable, progressive and future ready financial institution.

The Bank's 30th anniversary provided an opportunity to articulate its evolution and reaffirm stakeholder confidence. By highlighting three decades of disciplined growth and customer trust while signalling readiness for the next phase of development, marketing reinforced the Bank's long term positioning and strengthened brand equity. A consistent brand presence across key channels supported visibility and reinforced confidence in the Bank's strategic direction.

Marketing also supported business growth priorities by strengthening customer engagement across core products and priority segments. Insights derived from these engagements informed the development of new propositions planned for launch in 2026, ensuring alignment with evolving customer needs, market dynamics and sustainability considerations.

Alongside commercial objectives, marketing continued to reinforce the Bank's commitment to responsible banking. Initiatives supporting sustainability, financial inclusion and community development complemented the Bank's broader role in contributing to economic and social progress, strengthening trust and reinforcing long term stakeholder relationships.

Overall, marketing in 2025 played a supportive yet strategic role in connecting Pan Asia Bank's strong legacy with its forward ambitions. Through disciplined brand stewardship and purposeful engagement, marketing contributed to a rising profile, sustained trust and readiness for the Bank's next phase of growth, consistent with the strategic priorities outlined by the Board and Management.

Operations and Risk Management

Pan Asia Bank's performance for the year was shaped by a rising focus on execution quality, operating discipline, and prudent risk stewardship, ensuring that growth across core business segments was both sustainable and well governed. As activity levels

increased, Management remained committed to reinforcing resilient processes, strong controls, and a balance sheet positioned to support long term value creation.

Operational capability continued to rise through targeted automation and workflow simplification, enhancing speed, consistency, and productivity across key processes. These improvements enabled the Bank to scale operations efficiently, accommodate higher business volumes, and elevate service standards while maintaining cost discipline across the franchise.

Credit expansion progressed within clearly defined parameters, supported by strengthened portfolio oversight and sharpened risk management frameworks. Enhanced monitoring enabled early identification of emerging risks, allowing the Bank to participate in rising credit demand while preserving asset quality and focusing on risk adjusted returns.

Risk governance remained firmly embedded in decision making throughout the year. The Board and Management continued to exercise rigorous oversight across credit, liquidity, market, operational, and technology risks, guided by a clearly articulated risk appetite. Scenario analysis and stress considerations informed business planning, supporting measured growth amid evolving operating conditions.

Liquidity and funding management reflected a conservative and forward looking approach, with lending activity underpinned by a stable and diversified funding base. Adequate liquidity buffers were maintained throughout the year, ensuring balance sheet resilience and the flexibility to support customers in a dynamic market environment.

Internal control and compliance frameworks were further strengthened in line with the Bank's rising scale and digital footprint. Continued investments in system reliability, data protection, and information security reinforced operational integrity and sustained stakeholder confidence.

Going forward, Pan Asia Bank remains focused on sustaining this upward trajectory by investing in automation, analytical capability, and people development. These priorities are expected to further enhance efficiency, strengthen resilience, and support rising earnings quality, reinforcing the Bank's commitment to disciplined, long-term value creation.

Information Technology

The year 2025 represented a period of continued strengthening of Pan Asia Bank's information technology foundations, as the Bank advanced its technology agenda with discipline, resilience and a future ready mindset. The strategic focus remained on reinforcing core infrastructure, strengthening data capability and ensuring that the technology environment remained secure, scalable and resilient.

During the year, the Bank undertook significant upgrades to mission critical systems, including enhancements to core banking databases and underlying infrastructure. These initiatives strengthened system performance, reinforced cyber security controls and ensured long term operational stability, supporting expanding business volumes and increasing digital reliance.

A key milestone during the year was the further development of the Enterprise Data Warehouse, which improved data availability and reporting efficiency and enabled more timely, informed decision making across the organisation.

This strengthened governance, risk management and performance monitoring capabilities.

Technology led efficiency improvements also remained a priority. The continued automation of internal workflows and straight through processes enhanced operational agility, reduced manual intervention and improved consistency in service delivery, while supporting cost discipline and scalability.

The Bank's progress in technology and information security continued to receive industry level recognition during the year, reflecting its commitment to building a robust and future oriented technology environment.

Going forward, the Bank will continue to progress its technology roadmap, with emphasis on cloud adoption, advanced analytics and infrastructure modernisation. As Pan Asia Bank moves into the next phase of growth, the IT function will remain a core enabler of operational resilience, disciplined risk management and sustainable long-term performance.

BRANCH NETWORK

1. JAFFNA DISTRICT
Chunnakam
Jaffna
Nelliady

2. KILINOCHCHI DISTRICT
Kilinochchi

3. VAVUNIYA DISTRICT
Vavuniya

4. TRINCOMALEE DISTRICT
Trincomalee

5. ANURADHAPURA DISTRICT
Anuradhapura
Kekirawa

6. PUTTALAM DISTRICT
Chilaw
Dankotuwa
Nattandiya
Puttalam
Wennappuwa

7. KURUNEGALA DISTRICT
Kuliyapitiya
Kurunegala
Narammala

8. MATALE DISTRICT
Dambulla
Galewela
Matale

9. POLONNARUWA DISTRICT
Kaduruwela

10. BATTICALOA DISTRICT
Arayampathy
Batticaloa

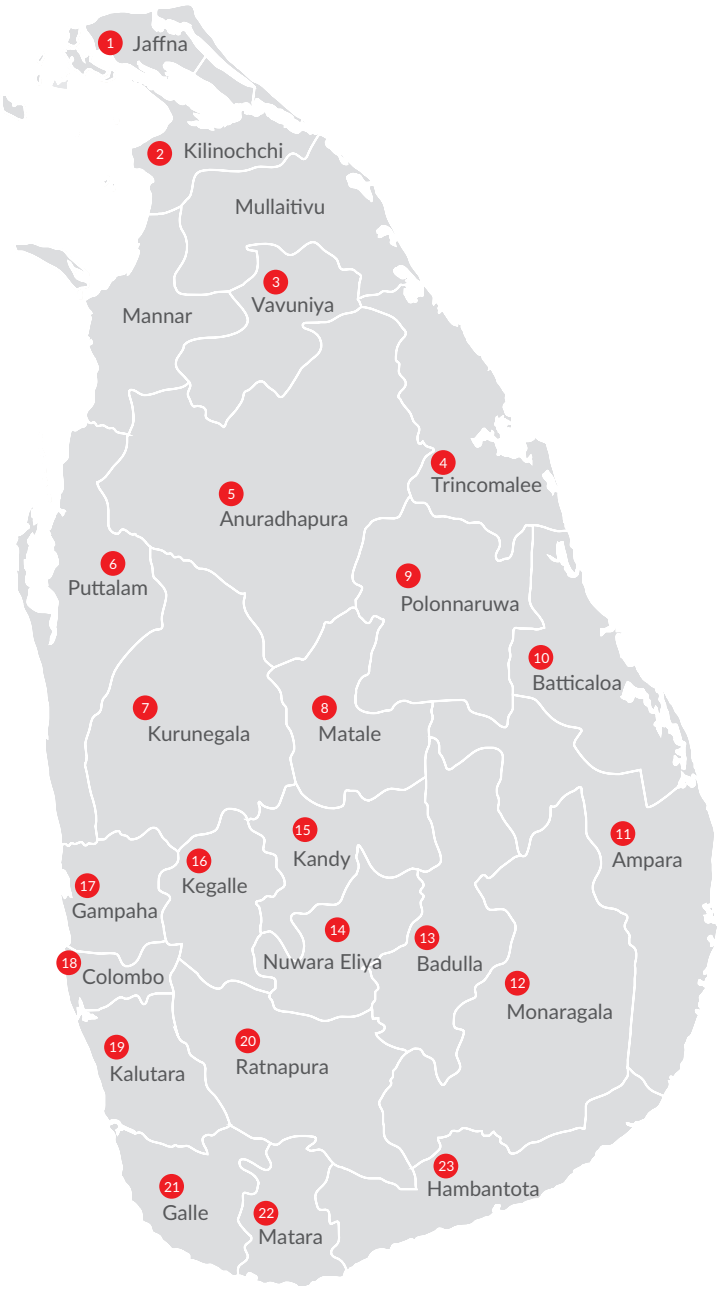
11. AMPARA DISTRICT
Akkaraipattu
Kalmunai

12. MONARAGALA DISTRICT
Monaragala

13. BADULLA DISTRICT
Badulla
Bandarawela

14. NUWARA ELIYA DISTRICT
Hatton

15. KANDY DISTRICT
Gampola
Kandy
Kandy City Centre
Katugastota
Kundasale
Peradeniya
Pilimathalawa



16. KEGALLE DISTRICT
Mawanella
Kegalle
Warakapola

17. GAMPAHA DISTRICT
Gampaha
Ja-Ela
Kadawatha
Kiribathgoda
Minuwangoda
Negombo
Wattala

18. COLOMBO DISTRICT
Bambalapitiya
Battaramulla
Borella
Cinnamon Gardens
(Colombo 07)
Colombo Gold Centre
Dam Street
Dehiwala
Homagama
Kaduwela
Kalubowila
Kirulapone
Kollupitiya
Kotahena
Kottawa
Maharagama
Malabe
Moratuwa
Narahenpita
Nawala
Nugegoda
Old Moor Street
Panchikawatta
Pettah
Piliyandala
Rajagiriya
Ratmalana
Thalawathugoda
Wellawatte
World Trade Centre

19. KALUTARA DISTRICT
Horana
Kalutara
Panadura

20. RATNAPURA DISTRICT
Balangoda
Embilipitiya
Ratnapura

21. GALLE DISTRICT
Ambalangoda
Galle
Hikkaduwa

22. MATARA DISTRICT
Akuressa
Matara
Weligama

23. HAMBANTOTA DISTRICT
Ambalantota
Tangalle

Branch Name	Branch Code	Address	District	Telephone No	Fax No	Opening Hours
Akkaraipattu	060	No 8/2, Sagama Road, Akkaraipattu	Ampara	067-4924071	067-2279576	Weekdays : 9.00 AM to 3.00 PM
Akuressa	072	No 54, Matara Road, Akuressa	Matara	041-4935855	041-2284677	Weekdays : 9.00 AM to 3.00 PM
Ambalangoda	041	No 103, Galle Road, Ambalangoda	Galle	091-4943166	091-2258064	Weekdays : 9.00 AM to 3.00 PM
Ambalantota	053	No 155/1, Tissa Road, Ambalantota	Hambantota	047-4931850	047-2225056	Weekdays : 9.00 AM to 3.00 PM
Anuradhapura	032	No 49, Main Street, Anuradhapura	Anuradhapura	025-4976777	025-2234763	Weekdays : 9.00 AM to 3.00 PM
Arayampathy	057	No 73B,73B 1/1,73C and 73C 1/1, Main street, Arayampathy East, Kattankudy	Batticaloa	065-4926901	065-2248468	Weekdays : 9.00 AM to 3.00 PM
Badulla	045	No 22A, Bank Road (Lower Kings Street), Badulla	Badulla	055-4976777	055-2225771	Weekdays : 9.00 AM to 3.00 PM
Balangoda	062	No 84, Barns Rathwatte Mawatha, Balangoda	Ratnapura	045-4928310	045-2289081	Weekdays : 9.00 AM to 3.00 PM
Bambalapitiya	009	No 343, Galle Road, Colombo 04	Colombo	011-4374055	011-2506825	Weekdays : 9.00 AM to 3.00 PM
Bandarawela	048	No 340/1A, Badulla Road, Bandarawela	Badulla	057-4976777	057-2233554	Weekdays : 9.00 AM to 3.00 PM
Battaramulla	063	No 123C, Pannipitiya Road, Battaramulla	Colombo	011-4343260	011-2885622	Weekdays : 9.00 AM to 3.00 PM
Batticaloa	040	No 293, Trincomalee Road, Batticaloa	Batticaloa	065-4976777	065-2228486	Weekdays : 9.00 AM to 3.00 PM
Borella	031	No 996A, Maradana Road, Borella	Colombo	011-4374207	011-2696461	Weekdays : 9.00 AM to 3.00 PM
Chilaw	036	No 58, Colombo Road, Chilaw	Puttalam	032-4976777	032-2224756	Weekdays : 9.00 AM to 3.00 PM
Chunnakam	061	No 92, Dr. Subramaniyam Road, Chunnakam	Jaffna	021-4923422	021-2241889	Weekdays : 9.00 AM to 3.00 PM
Cinnamon Gardens (Colombo 07)	088	No 102A, Horton Place, Colombo 07	Colombo	011-4615225	011-2662593	Weekdays : 9.00 AM to 3.00 PM
Colombo Gold Centre	078	No 48 GF & 53 UF, Colombo Gold Center, Central Super Market, Pettah	Colombo	011-4061241	011-2339383	Weekdays : 9.00 AM to 3.00 PM
Dam Street	019	No 22, Dam Street, Colombo 12	Colombo	011-4374130	011-2346052	Weekdays : 9.00 AM to 3.00 PM
Dambulla	049	Jayalanka Building, Kandy Road, Dambulla	Matale	066-4928970	066-2284844	Weekdays : 9.00 AM to 3.00 PM
Dankotuwa	083	No 17 and 19, Nattandiya Road, Dankotuwa	Puttalam	031-4937130	031–2265790	Weekdays : 9.00 AM to 3.00 PM
Dehiwala	015	No 104, Galle Road, Dehiwala	Colombo	011-4374077	011-2730624	Weekdays : 9.00 AM to 3.00 PM
Embilipitiya	038	No 49, New Town Road, Embilipitiya	Ratnapura	047-4976777	047-2261624	Weekdays : 9.00 AM to 3.00 PM
Galewela	071	No 35, 35/1, Dambulla-Kurunegala Road, Matale Junction, Galewala	Matale	066-4929970	066-2288320	Weekdays : 9.00 AM to 3.00 PM
Galle	025	No 32, Old Matara Road, Galle	Galle	091-4976777		Weekdays : 9.00 AM to 3.00 PM
Gampaha	011	No 15, Rest House Road, Gampaha	Gampaha	033-4976777	033-2220048	Weekdays : 9.00 AM to 3.00 PM
Gampola	030	No 29, Nuwara Eliya Road, Gampola	Kandy	081-4944625	081-2353998	Weekdays : 9.00 AM to 3.00 PM
Hatton	075	No 68, Co-Operative Square Building, Hatton	Nuwara Eliya	051-4932040	051-2225665	Weekdays : 9.00 AM to 3.00 PM
Hikkaduwa	084	No 299/C, Galle Road, Pannamgoda, Hikkaduwa.	Galle	091-4944956	091-2274084	Weekdays : 9.00 AM to 3.00 PM
Homagama	076	No 381, High Level Road, Homagama	Colombo	011-4385740	011-2098484	Weekdays : 9.00 AM to 3.00 PM
Horana	077	No 106, Somananda Mawatha, Horana	Kalutara	034-4941060	034-2266566	Weekdays : 9.00 AM to 3.00 PM
Ja-Ela	066	No. 206, Colombo Road, Weligampitiya, Ja- Ela	Gampaha	011-4344149	011-2232824	Weekdays : 9.00 AM to 3.00 PM
Jaffna	037	No 570, Hospital Road, Jaffna	Jaffna	021-4976777	021-2221485	Weekdays : 9.00 AM to 3.00 PM Saturday : 9.00 AM to 3.00 PM
Kadawatha	026	No 143/H, Kandy Road, Kadawatha	Gampaha	011-4374185	011-2925192	Weekdays : 9.00 AM to 3.00 PM

BRANCH NETWORK

Branch Name	Branch Code	Address	District	Telephone No	Fax No	Opening Hours
Kaduruwela	052	No 918, Batticaloa Road, Kaduruwela	Polonnaruwa	027-4976777	027-2224474	Weekdays : 9.00 AM to 3.00 PM
Kaduwela	081	No 508/4, Avissawella Road, Kaduwela	Colombo	011-4328295	011-2538552	Weekdays : 9.00 AM to 3.00 PM
Kalmunai	042	No 100 & 104, Batticaloa Road, Kalmunai	Ampara	067-4976777	067-2225590	Weekdays : 9.00 AM to 3.00 PM
Kalubowila	047	No 46A, S D S Jayasinghe Mawatha, Kalubowila	Colombo	011-4374254	011-2828338	Weekdays : 9.00 AM to 3.00 PM
Kalutara	033	No 219/3, Galle Road, Kalutara South	Kalutara	034-4976777	034-2221258	Weekdays : 9.00 AM to 3.00 PM
Kandy	005	No 123, D S Senanayake Veediya, Kandy	Kandy	081-4976777	081-2232994	Weekdays : 9.00 AM to 3.00 PM
Kandy City Centre	044	No L1-5A, Lower ground floor, Kandy City Centre, No 5,Dalada Veediya, Kandy	Kandy	081-4951034	081-2205776	Weekdays : 9.00 AM to 3.00 PM Saturday : 9.00 AM to 3.00 PM
Katugastota	020	No 57, Kurunegala Road, Katugastota	Kandy	081-4946135	081-2500362	Weekdays : 9.00 AM to 3.00 PM
Kegalle	027	No 107, Main Street, Kegalle	Kegalle	035-4976777	035-2221018	Weekdays : 9.00 AM to 3.00 PM
Kekirawa	067	No 91 - 93, Main Street, Kekirawa	Anuradhapura	025-4928934	025-2264598	Weekdays : 9.00 AM to 3.00 PM
Kilinochchi	043	No 161, Kandy Road, Kilinochchi	Kilinochchi	021-4925952	021-2280075	Weekdays : 9.00 AM to 3.00 PM
Kiribathgoda	054	No 67, Makola Road, Kiribathgoda	Gampaha	011-4376061	011-2911041	Weekdays : 9.00 AM to 3.00 PM
Kirulapone	022	No 100, High Level Road, Colombo 06	Colombo	011-4374152	011-2515227	Weekdays : 9.00 AM to 3.00 PM
Kollupitiya	003	No 450, Galle Road, Colombo 03	Colombo	011-4667022	011-2301150	Weekdays : 9.00 AM to 3.00 PM Saturday : 9.00 AM to 3.00 PM
Kotahena	014	No 215A, George R De Silva Mawatha, Colombo 13	Colombo	011-4374066	011-2346066	Weekdays : 9.00 AM to 3.00 PM
Kottawa	080	No 364/11, High level Road, Kottawa.	Colombo	011-4324145		Weekdays : 9.00 AM to 3.00 PM
Kuliyapitiya	046	No 74, Kurunegala Road, Kuliyapitiya	Kurunegala	037-4943733	037-2284141	Weekdays : 9.00 AM to 3.00 PM
Kundasale	058	No 248, Digana Road, Kundasale	Kandy	081-4951644	081-2424624	Weekdays : 9.00 AM to 3.00 PM
Kurunegala	012	No 22, Suratissa Mawatha, Kurunegala	Kurunegala	037-4976777	037-2221731	Weekdays : 9.00 AM to 3.00 PM
Maharagama	023	No 173/1, Highlevel Road, Maharagama	Colombo	011-4374163	011-2838397	Weekdays : 9.00 AM to 3.00 PM Saturday : 9.00 AM to 3.00 PM
Malabe	035	No 410/2, Athurugiriya Road, Malabe	Colombo	011-4374218	011-2744405	Weekdays : 9.00 AM to 3.00 PM
Matale	039	No 165, Trincomalee Street, Matale	Matale	066-4976777	066-2223007	Weekdays : 9.00 AM to 3.00 PM
Matara	013	No 45B, Anagarika Dharmapala Mawatha, Matara	Matara	041-4976777	041-2231362	Weekdays : 9.00 AM to 3.00 PM
Mawanella	082	No 300, Kandy Road, Mawanella	Kegalle	035-4935291	035-2246140	Weekdays : 9.00 AM to 3.00 PM
Minuwangoda	069	No 42, Veyangoda Road, Minuwangoda	Gampaha	011-4335770	011-2295929	Weekdays : 9.00 AM to 3.00 PM
Monaragala	059	No.141, Wellawaya Road, Monaragala	Monaragala	055-4929312	055-2277223	Weekdays : 9.00 AM to 3.00 PM
Moratuwa	024	No 517, Galle Road, Rawathawatte, Moratuwa	Colombo	011-4374174	011-2641354	Weekdays : 9.00 AM to 3.00 PM
Narahenpita	021	No 526, Elvitigala Mawatha, Colombo 05	Colombo	011-4374141	011-2368667	Weekdays : 9.00 AM to 3.00 PM
Narammala	086	No 165, Negombo Road, Narammala	Kurunegala	037-4204201	037-2248459	Weekdays : 9.00 AM to 3.00 PM
Nattandiya	087	No 116, Kuliyapitiya Road, Nattandiya	Puttalam	032-4551484		Weekdays : 9.00 AM to 3.00 PM
Nawala	079	No 162, Nawala Road, Nugegoda	Colombo	011-4322814	011-2853043	Weekdays : 9.00 AM to 3.00 PM
Negombo	010	No 199, St. Joseph's Street, Negombo	Gampaha	031-4976777	031-2231259	Weekdays : 9.00 AM to 3.00 PM
Nelliady	056	No 208A, Jaffna Road, Nelliady	Jaffna	021-4923164	021-3734879	Weekdays : 9.00 AM to 3.00 PM
Nugegoda	008	No 132C, High Level Road, Nugegoda	Colombo	011-4374044	011-2828228	Weekdays : 9.00 AM to 3.00 PM
Old Moor Street	018	No 314, Old Moor Street, Colombo 12	Colombo	011-4374099	011-2392897	Weekdays : 9.00 AM to 3.00 PM
Panadura	017	No 506, Galle Road, Panadura	Kalutara	038-4976777	038-2243053	Weekdays : 9.00 AM to 3.00 PM
Panchikawatta	002	No 262 , Sri Sangaraja Mawatha, Colombo 10	Colombo	011-4374011	011-2447452	Weekdays : 9.00 AM to 3.00 PM

Branch Name	Branch Code	Address	District	Telephone No	Fax No	Opening Hours
Peradeniya	051	No 767, 769 & 769/11, Sirimawo Bandaranayake Mawatha, Kandy	Kandy	081-4951180	081-2232441	Weekdays : 9.00 AM to 3.00 PM
Pettah	004	No 64, Keyzer Street, Colombo 11	Colombo	011-4374022	011-5363652	Weekdays : 9.00 AM to 3.00 PM
Pilimathalawa	065	No 217, Kandy Road, Manadeniya, Pilimathalawa	Kandy	081-4951870	081-2575335	Weekdays : 9.00 AM to 3.00 PM
Piliyandala	055	No 107, Horana Road, Mampe, Piliyandala	Colombo	011-4376251	011-2604070	Weekdays : 9.00 AM to 3.00 PM
Puttalam	064	No 116A, Kurunegala Road, Puttalam	Puttalam	032-4929663	032-2267967	Weekdays : 9.00 AM to 3.00 PM
Rajagiriya	006	No 468, Kotte Road, Rajagiriya	Colombo	011-4374033	011-2866823	Weekdays : 9.00 AM to 3.00 PM
Ratmalana	050	No 446, Galle Road, Ratmalana	Colombo	011-4374261	011-2738840	Weekdays : 9.00 AM to 3.00 PM
Ratnapura	007	No 37, Bandaranayake Mawatha, Ratnapura	Ratnapura	045-4976777	045-2231848	Weekdays : 9.00 AM to 3.00 PM
Tangalle	074	No 03, Annapitiya Road, Tangalle	Hambantota	047-4929626	047-2241215	Weekdays : 9.00 AM to 3.00 PM
Thalawathugoda	068	No 351-E, Pannipitiya Road, Thalawathugoda	Colombo	011-4344650	011-2796016	Weekdays : 9.00 AM to 3.00 PM
Trincomalee	073	No 459, Dockyard Road, Trincomalee	Trincomalee	026-4925525	026-2225700	Weekdays : 9.00 AM to 3.00 PM
Vavuniya	034	No 14, 2nd Cross Street, Vauniya	Vavuniya	024-4976777	024-2225444	Weekdays : 9.00 AM to 3.00 PM
Warakapola	070	No 139, Kandy Road, Warakapola	Kegalle	035-4928777	035-2267544	Weekdays : 9.00 AM to 3.00 PM
Wattala	016	No 218, Negombo Road, Wattala	Gampaha	011-4374088	011-2945104	Weekdays : 9.00 AM to 3.00 PM
Weligama	085	No 204, Hettiveediya, Weligama	Matara	041-4933116		Weekdays : 9.00 AM to 3.00 PM
Wellawatte	029	No 135, Galle Road, Colombo 06	Colombo	011-4374196	011-2362399	Weekdays : 9.00 AM to 3.00 PM
Wennappuwa	028	No 06, Chilaw Road, Wennappuwa	Puttalam	031-4934870	031-2249556	Weekdays : 9.00 AM to 3.00 PM
World Trade Centre	001	Level 2, East Tower, World Trade Centre, Echelon Square, Colombo 01	Colombo	011-4976777	011-2346053	Weekdays : 9.00 AM to 3.00 PM

CORRESPONDENT BANKS

1. CANADA
- Royal Bank of Canada
- Toronto-Dominion Bank

2. UNITED STATES OF AMERICA
- Standard Chartered Bank
- Citibank N.a.
- Hab Bank
- Israel Discount Bank of New York
- The Bank of New York Mellon
- Mashreq Bank Psc
- Wells Fargo Bank, N.a

3. UNITED KINGDOM
- Arab National Bank
- Bank of Ceylon (Uk) Ltd.
- Standard Chartered Bank

4. GERMANY
- Commerzbank Ag
- Landesbank Hessen-Thueringen Girozentrale
- Standard Chartered Bank Ag

5. ITALY
- Credit Agricole Friuladria Spa
- Banca Ubae Spa

6. CZECH REPUBLIC
- Unicredit Bank Czech Republic and Slovakia, A.s.

7. SERBIA
- Unicredit Bank Srbija A.d.

8. EGYPT
- Mashreq Bank

9. CYPRUS
- National Bank of Greece (Cyprus) Ltd.
- Hellenic Bank Public Company Ltd.

10. ISRAEL
- Mercantile Discount Bank Ltd.

11. SAUDI ARABIA
- Bank Al-Jazira

12. KUWAIT
- National Bank of Kuwait S.a.k.p.
- Doha Bank

13. QATAR
- Doha Bank
- Mashreq Bank

14. UNITED ARAB EMIRATES
- Mashreq Bank Psc
- Bank Saderat Iran
- Habib Bank Ag Zurich
- Emirates Islamic Bank P J S E
- Standard Chartered Bank
- National Bank of Ras Al-Khaimah
- Doha Bank

15. SEYCHELLES
- Bank of Ceylon

16. PAKISTAN
- Mcb Bank Limited
- Standard Chartered Bank (Pakistan) Limited
- Summit Bank Ltd
- Habib Metropolitan Bank Limited

17. MALDIVES
- Bank of Ceylon
- Bank of Maldives Plc

18. INDIA
- Mizuho Bank, Ltd.
- Bank of Ceylon
- Citibank N.a.
- Hdfc Bank Limited
- ICICI Bank Limited
- Mashreq Bank
- Standard Chartered Bank
- Tamilnad Mercantile Bank Limited
- Doha Bank Q S C

19. NEPAL
- Himalayan Bank Ltd.
- Laxmi Sunrise Bank Limited

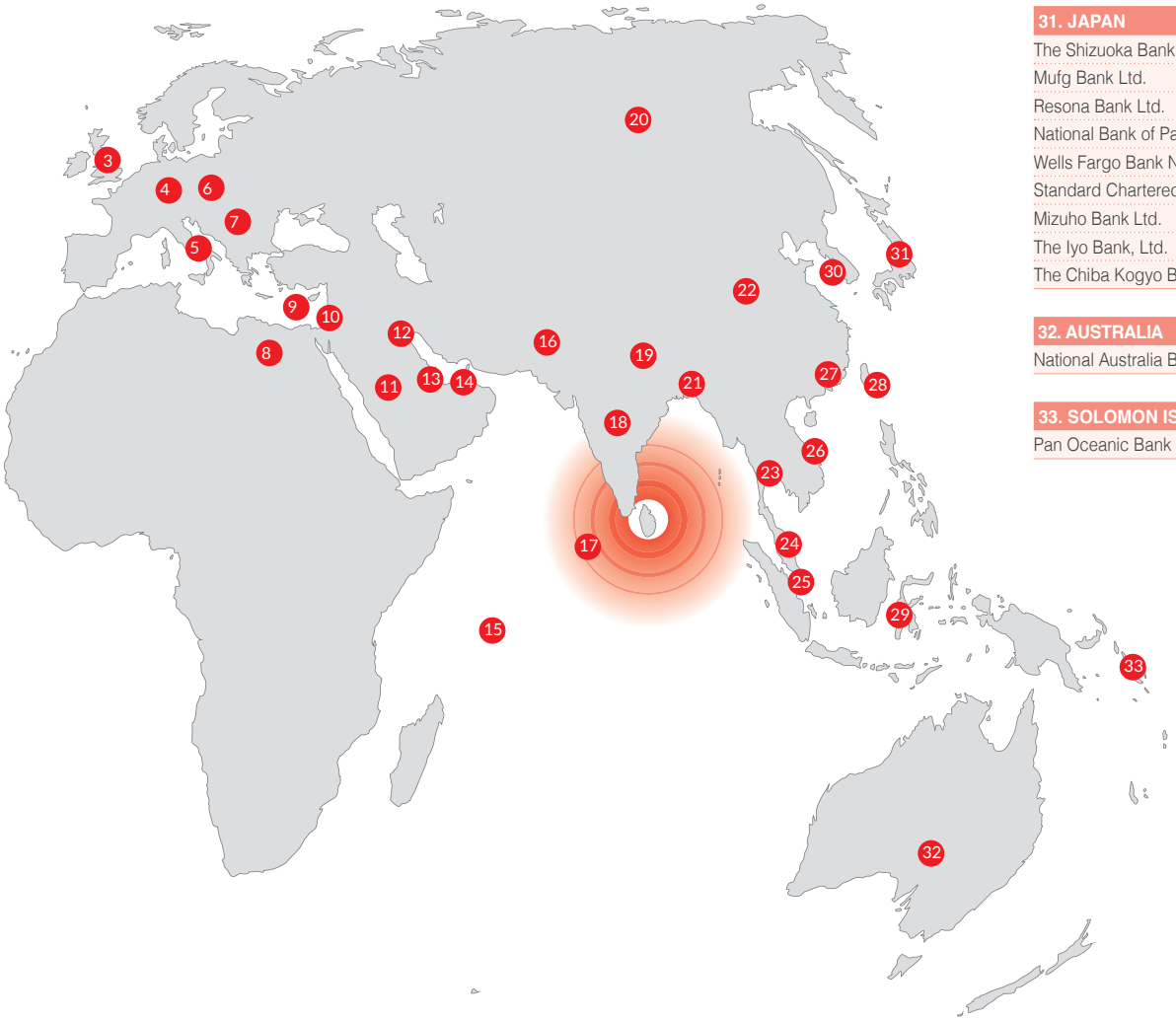
20. RUSSIA
- Unicredit Bank Ao



21. BANGLADESH
- Islami Bank Bangladesh Ltd.
- Mercantile Bank Limited
- Bank Asia Ltd.

22. CHINA
- Bank of China
- Qilu Bank Co. Ltd.
- Laishang Bank Co. Ltd
- Standard Chartered Bank (China) Limited
- Zhejiang Tailong Commercial Bank

23. THAILAND
- Standard Chartered Bank (Thai) Pcl



31. JAPAN
- The Shizuoka Bank Ltd.
- Mufg Bank Ltd.
- Resona Bank Ltd.
- National Bank of Pakistan
- Wells Fargo Bank N.a.
- Standard Chartered Bank
- Mizuho Bank Ltd.
- The Iyo Bank, Ltd.
- The Chiba Kogyo Bank Ltd.

32. AUSTRALIA
- National Australia Bank Limited

33. SOLOMON ISLANDS
- Pan Oceanic Bank Limited

24. MALAYSIA
- Standard Chartered Bank Malaysia Berhad

25. SINGAPORE
- Standard Chartered Bank (Singapore) Limited
- Standard Chartered Bank
- Citibank,N.a.
- Dbs Bank Ltd
- The Hongkong And Shanghai Banking Corporation Limited

26. VIETNAM
- Standard Chartered Bank (Vietnam) Limited

27. HONG KONG
- Habib Bank Zurich (Hong Kong) Limited
- Wells Fargo Bank, N.a.
- Standard Chartered Bank (Hong Kong) Limited

28. TAIWAN
- Standard Chartered Bank (Taiwan) Limited
- Dbs Bank (Taiwan) Ltd

29. INDONESIA
- Bank Negara Indonesia - Pt (Persero)
- Standard Chartered Bank

30. KOREA
- Kookmin Bank
- Woori Bank
- Keb Hana Bank
- Shinhan Bank

CORPORATE SOCIAL RESPONSIBILITY

Creating Social and Environmental Value Through Community Engagement

Pan Asia Bank continued to advance its role as a responsible corporate citizen by delivering focused CSR and community engagement initiatives across Sri Lanka. These initiatives were aligned with national priorities and community needs, contributing to social upliftment, environmental conservation and cultural preservation, core components of the Bank's broader sustainability commitments.







Enhancing Access to Education for Underserved Communities

Education remained a central focus area, reflecting the Bank's commitment to supporting long-term human capital development beyond the organisation. The Bank collaborated with over 30 community-based sports clubs to distribute schoolbooks and learning materials to underprivileged children, easing the financial burden on families and encouraging continued school attendance.

Further, the Bank supported junior monks at the Rangirigala Temple in Anuradhapura by providing essential educational supplies, strengthening access to quality learning for religious students.

In Matale, primary children of the Demadhaoya Primary School received similar support through a branch-led effort, reinforcing the Bank's role in nurturing the next generation across diverse communities.

Improving Waste Management in Sacred and High-Visitor Locations

Promoting responsible waste management was another key priority. Through the Pan Asia Sathkara programme, the Bank conducted plastic waste collection and recycling drives in Anuradhapura, Mihintale and Thalawila during major religious events. These initiatives helped maintain the cleanliness and sanctity of pilgrimage sites, where large gatherings often strain local waste management systems.

The Bank also supported waste collection during the Dalada Wandana pilgrimage in the central region, demonstrating a continued commitment to reducing pollution and preserving Sri Lanka's cultural heritage.



Environmental Stewardship and Climate Action

Environmental sustainability continued to be a major pillar of Pan Asia Bank's community engagements. The Sustainability Committee spearheaded a tree-planting initiative at Viharamahadevi Park to mark World Forest Day, contributing to urban greening, enhancing biodiversity and supporting long-term carbon sequestration.

In addition, the Bank launched the innovative 'One Click, One Tree – Greener Tomorrow' digital campaign, enabling customers and the public to contribute to reforestation by simply downloading a custom browser extension. Each download generated the donation of a tree, demonstrating how technology can be leveraged to promote environmental action at scale.





Supporting Cultural Festivals and Community Well-being

During the Dalada Perahera season in Kandy, the Bank extended its support by looking after workers and volunteers engaged in cleaning services by providing meals, acknowledging their essential role in safeguarding public health and maintaining city cleanliness during the high-traffic period.

The Bank further reinforced its commitment to cultural traditions at the annual Ginkeli Festival in Walpola, Ragama by supporting the fireworks teams, thereby strengthening community bonds and demonstrating respect for cultural heritage.

Strengthening Community Infrastructure

Beyond social and environmental initiatives, Pan Asia Bank contributed to local infrastructure upliftment. The Bank initiated the construction of an observation deck at the Idalgashinna train station, enhancing public amenities, supporting tourism and improving the overall visitor experience in the region. This initiative aligns with the Bank's commitment to contributing to long-term community development and economic resilience.

Creating Long-Term Community Value

Throughout the year, Pan Asia Bank's CSR activities were guided by its sustainability principles. These efforts reflected the Bank's intention to create shared value: strengthening communities, supporting environmental protection and contributing to national heritage preservation. By aligning community investments with stakeholder needs and long-term societal outcomes, the Bank continues to reinforce its position as a trusted and responsible corporate citizen.

Comprehensive National Response & Community Recovery Efforts During the Ditwah Crisis

During the Ditwah crisis and subsequent recovery phase, Pan Asia Bank delivered a swift and coordinated response to support national recovery, uplift community morale, and safeguard financial stability.

Partnering with Manusath Derana, the Bank mobilised essential supplies including dry rations, drinking water, and other aid with the active involvement of customers and staff. In addition, targeted CSR initiatives were carried out in the rural villages of Poodalugasyaya and Dehengama in Mahiyanganaya, helping vulnerable communities rebuild their livelihoods.

The Bank also launched strategic communication campaigns to reinforce public confidence, mobilised resources through stakeholder collaboration, and promoted the state banks designated by the government for recovery efforts placing national interest above competitive considerations.

In alignment with regulatory guidance, Pan Asia Bank facilitated communications on the restoration of currency circulation and continuity of banking services. Simultaneously, the Bank accelerated digital banking awareness and adoption programs, encouraging a transition from cash-based transactions to secure digital alternatives. These measures ensured accessibility, resilience, and uninterrupted financial services during a period of national disruption.

HUMAN CAPITAL

"OUR OBJECTIVE IS TO CULTIVATE A FUTURE-READY WORKFORCE THAT IS AGILE, ADAPTABLE AND EMPOWERED WITH THE CAPABILITIES, MINDSET, AND LEADERSHIP DEPTH REQUIRED TO NAVIGATE CHANGE, STRENGTHEN ORGANISATIONAL RESILIENCE, AND DRIVE SUSTAINABLE, LONG-TERM BUSINESS SUCCESS."

Overview

Human capital remained a cornerstone of Pan Asia Bank's value-creation model in 2025. The Bank recognises that its ability to achieve strategic priorities - digitalisation, sustainable finance, productivity enhancement and customer-centricity - depends on the knowledge, commitment, and performance of its people. The Bank continued to strengthen its workforce through structured hiring, targeted development, performance-based progression, capacity optimisation and a strong focus on employee well-being.

Total Head Count

1,604

Total Recruitments

275

Total Exits

234

Training Hours

62,840

Internal Talent Growth

144



Challenges Faced

The year under review presented several challenges for talent management across Sri Lanka's banking sector. The domestic job market remained highly competitive, with financial institutions and emerging fintech firms aggressively targeting experienced professionals. This placed additional pressure on the Bank's talent acquisition and retention strategies. The Bank also navigated ongoing cultural transformation efforts, which required strengthened leadership alignment, enhanced communication, and behavioural reinforcement.

Regulatory expectations continued to intensify, increasing the need for sustained upskilling and compliance-focused training. Employee engagement and well-being remained priority areas, particularly as the Bank balanced hybrid work patterns, evolving operational demands, and expectations of resilience and productivity. Against this backdrop, Pan Asia Bank strengthened its human capital systems to support operational continuity and future growth.

Talent Acquisition and Onboarding

The Bank continued to experience shortages of experienced talent with the required competencies, raising both the time and cost of replacement. Despite these constraints, Pan Asia Bank recruited 275 new employees, strengthening its pipeline for credit, sales, operations and support functions.

The restructuring and digitisation of the hiring workflow, initiated the previous year, resulted in marked improvements in efficiency and cost savings. The Hiring Module of the Human Resources Information System (HRIS) facilitated end-to-end recruitment, minimising administrative overheads, and eliminating manual errors.

Furthermore, the leadership team has been significantly strengthened through the strategic recruitment of key senior members, enhancing our collective capabilities and expertise. These additions have empowered us to address emerging challenges effectively, while driving sustained growth and fostering innovation.

A strategic partnership with the University of Sri Jayewardenepura allowed the Bank to onboard 10 Graduate Trainees, specifically groomed for credit functions. The Bank also launched a structured Internship Programme and broadened its reach through job fairs and walk-in recruitment drives focused on sales talent.

"Building a Future Ready Workforce" - Career Progression and Employee Retention

Retention improved during the year due to the Bank's strengthened focus on internal progression and mobility. To support career growth, the Bank opened positions for the 2025 promotion cycle. Assessments were conducted across 10 Exam Centers across the country and 144 employees were promoted based on performance, qualifications, and potential.

As we continue to navigate a rapidly evolving business landscape, building a robust talent pool to meet both current and future needs of the Bank became essential. Our objective was to create a future-ready workforce that is agile, adaptable, and equipped with the skills required to drive sustainable business success. To achieve this, the Bank established dedicated talent pools for Branch Managers, Branch Second Officers, and Credit Officers, identifying high-potential and high-performing employees for these roles. As a result, 11 employees from the Branch Manager talent pool and 9 employees from the Branch Second Officer talent pool have been appointed internally as Branch Managers and Second Officers within our branch network.

Further, the Bank strives to align staff placements as close as possible to their residences, reducing travel costs, supporting family stability, and enhancing overall job satisfaction.

The development opportunities and career pathways created through our Talent Pool strategy have contributed to improved employee retention, resulting in a reduction of overall staff turnover by 25% compared to 2024.

Cadre Management and Workforce Optimisation

As digitalisation continued to reshape branch operating models, the Bank implemented a structured capacity planning process to optimise cadre distribution across the network. Through this initiative, excess capacity identified in branches was strategically redeployed to revenue-generating functions, ensuring that human resources were aligned with high-priority business requirements without compromising customer service. During the year, over 35 staff members were successfully transitioned from branches to other business units, reinforcing operational efficiency and supporting growth objectives.

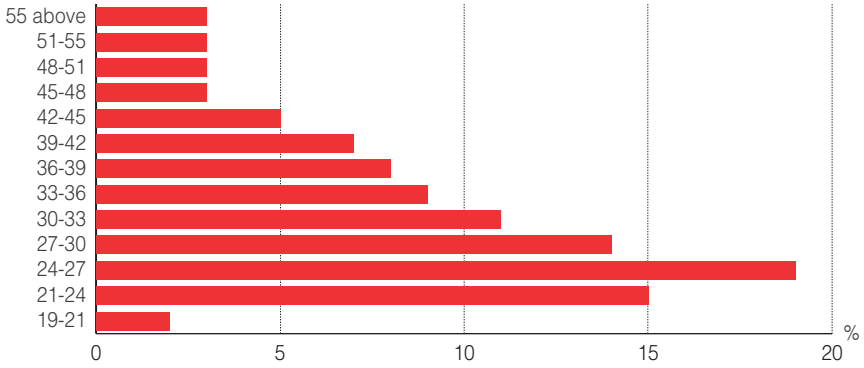
To embed a productivity-driven work culture, the Bank launched its first-ever lean implementation projects with the support of an external consultant. This process-simplification initiative introduced lean concepts and techniques to ten employees from diverse units, culminating in the successful execution of solutions that enhanced agility and responsiveness. Participants were awarded Yellow Belt certifications, marking a significant milestone in our journey toward operational excellence. These projects delivered measurable efficiency gains, improved turnaround times, and strengthened productivity across units—laying the foundation for a culture of continuous improvement and transformation within the Bank.

HUMAN CAPITAL

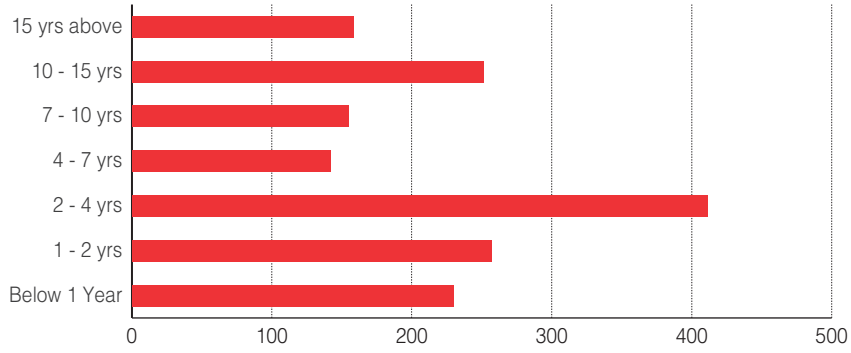
Workforce by Province:

Province	Permanent	Probation	Contract	Trainee	Grand Total
Central Province	115	3	1	1	120
Eastern Province	36	1	-	5	42
North Central	21	1	-	1	23
North Western	49	4	1	10	64
Northern	35	3	2	4	44
Sabaragamuwa	24	-	-	1	25
Southern	102	2	1	2	107
Uva	22	-	-	-	22
Western	1,006	39	23	89	1,157
Grand Total	1,410	53	28	113	1,604

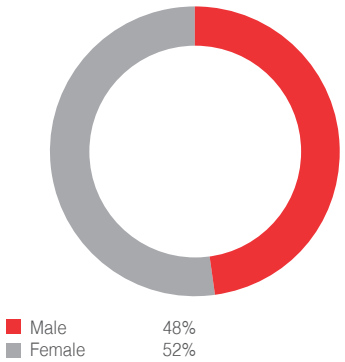
Age Analysis



Tenure Analysis



Gender Analysis



Internal Customer Survey

During the year, the Bank successfully conducted its very first Internal Customer Service Survey, marking a significant milestone in our commitment to fostering a culture of collaboration and service excellence. This initiative was designed to evaluate the quality of internal services provided by 36 support service departments, including departments such as HR, IT, Marketing, Finance, and Operations. The survey aimed to ensure that our internal processes and support functions are aligned with the needs of our business units, enabling seamless operations and enhanced customer experience.

The results of the survey were highly encouraging, with all participating departments achieving an Internal Customer Service Score of 60% or above, reflecting a strong level of satisfaction among internal stakeholders. Assessments were carried out by Branch Managers, Area Managers, and other business heads, providing a comprehensive view of service quality across the organisation. This achievement underscores the dedication of our support teams in delivering timely, efficient, and value-driven services, and sets a solid foundation for continuous improvement in internal service standards.

Policy Framework and Compliance with Regulatory Authorities

The Bank's Human Resource policy framework is designed to benefit employees by providing clear expectations, ensuring fair treatment, promoting a safe work environment, and maintaining transparency. This framework is periodically reviewed and enhanced to reflect the Bank's evolving needs while ensuring full compliance with legal and regulatory requirements.

During the year, six key policies were reviewed, updated, and approved by the Board: Promotion Policy, Disciplinary Management Policy, Learning & Development Policy, Staff Housing Loan Policy, Staff Vehicle Loan Policy, and Whistleblowing Policy. In addition, the Clawback Policy was developed and was made effective from 01st January 2026, ensuring adherence to Corporate Governance rules, and reinforcing our commitment to ethical and compliant practices.

"Workforce Upskilling and Reskilling" - Learning and Development Initiatives

Learning & Development played a pivotal role during the year in enabling the Bank to remain competitive and drive business success. Employees were upskilled and reskilled to deliver exceptional customer experiences, foster innovation, and navigate evolving regulatory requirements.

Key training programs focused on digital readiness, regulatory compliance, customer engagement, risk management, branch operations, product knowledge, team building, and leadership development. These initiatives ensured the availability of a highly skilled and knowledgeable workforce to meet growing business needs.

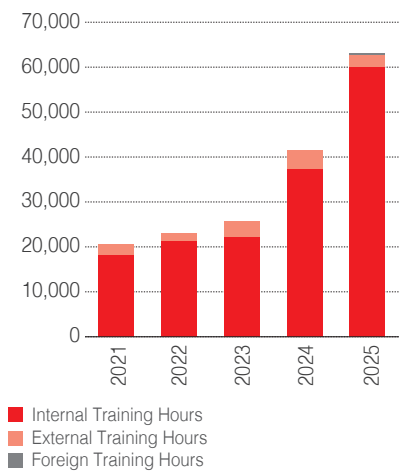
Redeployed employees received tailored reskilling support to equip them for their new responsibilities. These capacity-building interventions were critical as the Bank prepares for an increasingly digital and data-driven future.

Training Hours

In 2025, a total of 62,840 training hours were delivered, representing an increase of 51.48% compared to the previous year. This achievement translated into an average of over 39 hours of training per employee, underscoring our commitment to continuous learning and development.

Training Category	2021	2022	2023	2024	2025
Internal Training Hours	18,245	21,330	22,185	37,281	59,903
External Training Hours	2,428	1,670	3,413	4,207	2,817
Foreign Training Hours	-	-	-	-	120
Total	20,673	23,000	25,598	41,488	62,840

Total Training Hours



Some key programs conducted during the year are as follows:

Leadership Development Programs

Leadership Workshop: Cultivating Growth & Navigating Change

Bank recognises that strong leadership capability and strategic thinking are fundamental to building sustainable value and enhancing organisational resilience. In line with its commitment to strengthening Human and Intellectual Capital, the Bank implemented targeted leadership development initiatives aligned with its long-term transformation agenda.

As part of this effort, a full-day strategic leadership workshop titled "Cultivating Growth & Navigating Change" was conducted in mid-2025 for Corporate and Sub-Corporate Management teams. The program was designed to enhance leadership capability, strengthen strategic thinking, and ensure decision-making remains closely aligned with the Bank's strategic priorities for 2025 and beyond. The initiative also reinforced the CEO's vision of positioning Pan Asia Bank as a resilient and competitive mid-sized financial institution.

The workshop emphasised strategic agility, change leadership, and execution capability in response to the rapidly evolving banking landscape. Through structured learning frameworks, interactive discussions, and leadership dialogue, participants were equipped with the skills and perspectives required to navigate complexity, lead change effectively, and drive sustainable business growth.

Talent Readiness Programs

JET Refresher Program

The Bank conducted a structured Junior Executive Trainee (JET) Refresher Programme as part of its ongoing commitment to talent development and internal career progression. The program was designed to prepare trainees for increased responsibilities



JET Refresher Program

and long-term career growth within the organisation, while facilitating a smooth transition from initial training to full operational readiness.

The refresher program focused on strengthening technical competencies and professional capabilities required for entry into the permanent cadre. Key areas included organisational orientation and values, operational efficiency and compliance, service excellence and salesmanship, digital banking awareness, job role fitment and responsibility readiness, introduction to international trade, and personal branding.

Adopting a blended learning approach, the program combined core banking knowledge with behavioural and interpersonal skill development. This holistic structure enabled participants to gain a comprehensive understanding of banking operations while reinforcing attitudes and behaviours essential for effective customer service, teamwork, and future leadership.

Talent Pool Development Programs

Branch Manager and Second Officer Talent Pools

In line with the Bank's leadership development strategy, comprehensive Branch Manager and Second Officer Talent Pool training programs were completed during the year. Each program featured 10 modules designed to prepare high-potential officers for future leadership roles across the branch network, ensuring a robust pipeline of capable leaders ready to drive organisational growth.

The programs equipped participants with critical skills, strategic thinking, and business acumen required to lead branches effectively in an evolving banking environment. Through practical knowledge, case-based learning, and mindset development, participants were prepared to lead with vision, embrace digital innovation, and drive branch-level performance aligned with the Bank's strategic objectives.



Post Evaluation of Talent Pools

Credit Officer Talent Pool

The Credit Officer Talent Pool Training Program was initiated during the year to strengthen operational capabilities and ensure continuity in credit operations. This program targeted Credit Assistants, equipping them with technical knowledge, practical skills, and a professional mindset required to support the Bank's credit function and serve as potential backups for Credit Officers.

Delivered through interactive sessions, the program combined theoretical concepts with practical scenarios, group discussions, and case-based learning. By preparing Credit Assistants to assume extended roles, the initiative reinforces the Bank's commitment to succession planning and operational resilience.

Graduate Trainee Development Program

The Bank launched a Graduate Trainee Program aimed at identifying and nurturing talented graduates for future leadership and specialised roles. Selected graduates underwent an intensive boot camp focusing on technical knowledge and essential soft skills, with a particular emphasis on credit management.

Through hands-on exposure and practical experience, trainees are being groomed as dedicated credit experts, contributing effectively to operations while preparing for future responsibilities. This initiative underscores the Bank's commitment to building a strong pipeline of skilled professionals to support business growth and operational excellence.

Technical Upskilling Initiatives

Comprehensive Training on LIME Customer Onboarding Platform

To support the successful digitalisation of customer onboarding, the Bank implemented the LIME Customer Onboarding Platform, a key step toward improving process efficiency and delivering superior customer service. Recognising that technical proficiency is essential for maximising the

benefits of this platform, we prioritised comprehensive awareness and training initiatives for all relevant stakeholders.

Accordingly, a series of region-wise training sessions were conducted to ensure smooth adoption and operational excellence. These sessions targeted branch managers, second officers, cash officers, as well as all inputters and authorisers involved in the onboarding process. Through 12 structured programs, more than 450 team members were trained, equipping them with the knowledge and skills required to leverage the LIME platform effectively and enhance the overall customer experience.

Operational Excellence Workshop
As part of the Bank's ongoing efforts to strengthen operational effectiveness and build technical capability, an island-wide Operational Excellence Workshop was conducted for all Second Officers. This initiative aimed to enhance technical knowledge, operational awareness, and role clarity across the branch network. Delivered with the support of internal subject matter experts, the program ensured practical and relevant learning aligned with the Bank's operational standards and business objectives. Given the critical nature of the Second Officer role encompassing responsibility for both branch operations and business development the workshop focused on reinforcing operational controls while cultivating a business-oriented mindset. The sessions concluded successfully, equipping participants with best practices and insights to improve efficiency, align with organisational goals, and contribute to sustainable growth.

Trade & Treasury Awareness Program
International Trade and Treasury functions play a pivotal role in supporting the Bank's financial performance, risk management,



Training for potential Credit Officer Talent Pool

and strategic growth. To enhance awareness and strengthen product promotion capabilities, an island-wide awareness program was conducted for branch staff. Participants gained insights into International Trade and Treasury products, their strategic importance, and their role in meeting customer needs. This initiative improved cross-functional understanding, enabled better customer engagement, and reinforced alignment with the Bank's strategic objectives—ultimately contributing to improved service delivery and revenue generation.

Leasing Skill Enhancement Workshop
With the reopening of vehicle imports and rising demand for leasing products, the Bank conducted specialised training sessions for Credit Officers. Led by internal subject matter experts, these sessions focused on product features, associated risks, regulatory requirements, and operational processes. By enhancing staff expertise, the initiative aimed to drive business growth, strengthen the Bank's brand, and deliver tailored leasing solutions to meet evolving customer needs.

CASA Workshops
To boost low-cost fund mobilisation, a comprehensive series of CASA (Current Accounts and Savings Accounts) workshops were conducted across the entire branch network. These sessions reinforced foundational knowledge, deepened product understanding, and enhanced customer-centric sales approaches. The interactive, field-driven format facilitated practical learning and peer sharing, while the internal trainer-led approach fostered collaboration and continuous learning. This initiative underscores the Bank's commitment to equipping every team member with the tools and confidence to contribute to profitability through CASA portfolio growth.

Banking Practices & Law Workshop
Recognising the critical role of Branch Managers as "mini-CEOs," a dedicated session on Banking Practices and Law was conducted for all branch leaders. The program focused on regulatory requirements, legal frameworks, and operational best practices to ensure ethical and sustainable business growth. This training strengthened Branch Managers' ability to make informed decisions, lead effectively, and uphold compliance standards—reinforcing customer trust and brand excellence.

Training Program for Digi Champs
Digital banking remains a strategic priority for the Bank. To accelerate adoption, the Bank introduced the concept of "Digi Champs"—dedicated ambassadors in every branch responsible for promoting digital products and services. A series of awareness sessions equipped these

champions with the knowledge and skills to guide customers effectively, driving usage of the Bank's digital platforms. This initiative enhanced staff capability, strengthened customer engagement, and advanced the Bank's vision of delivering seamless, technology-enabled banking experiences.

"Experiential Learning" – Outbound Training Program Series

As part of its commitment to building a resilient, collaborative, and high-performing workforce, the Bank introduced an Outdoor Experiential Learning program in partnership with CHE Adventure Park. This initiative provided employees with immersive, real-time learning experiences that mirrored workplace challenges, enabling practical application of skills in dynamic and high-pressure environments.

The program focused on strengthening team collaboration, cross-functional communication, problem-solving under time constraints, and fostering trust through shared experiences. Participants were encouraged to demonstrate leadership and adaptability in unfamiliar settings while gaining a broader understanding of diverse functions across the Bank. Extended to all branch staff and selected business units, this initiative enhanced resilience, camaraderie, and readiness to manage evolving business demands effectively.



Outbound Training

Training on Lean Management

During the year, the Bank introduced Lean techniques and concepts as a strategic process improvement initiative aimed at enhancing operational efficiency, reducing costs, and improving customer satisfaction. By identifying and eliminating process bottlenecks and waste, the Bank streamlined complex workflows to deliver timely, accurate, and reliable services aligned with customer expectations.

Ten employees from different Head Office units were trained in Lean methodologies and tasked with implementing improvement projects within their respective units. Upon successful completion, participants were awarded Lean Yellow Belt certifications. Supported by an external consultant, this initiative marks a significant step toward embedding a culture of continuous improvement and operational excellence across the Bank.

Train the Trainer Program

Recognising the wealth of expertise within its workforce, the Bank launched a Train the Trainer program to develop and groom a pool of internal trainers. This initiative acknowledges the contributions of employees who serve as subject matter experts and equips them with advanced facilitation skills to deliver high-quality learning programs.

The program reinforces a culture of knowledge sharing and internal capacity building, enabling the Bank to sustain its talent development strategy while promoting professional growth among its trainers. By leveraging internal expertise, the Bank ensures



Yellow Belt certification award ceremony

consistent, cost-effective, and impactful learning experiences across the organisation.

Training and Awareness on Regulatory Compliance.

To ensure full regulatory compliance and strengthen organisational awareness, Bank implemented a comprehensive training framework aligned with the guidelines mandated by the Central Bank of Sri Lanka (CBSL). This initiative focused on enhancing knowledge across critical compliance areas, ensuring that all relevant team members were enrolled in specialised programmes tailored to their roles and responsibilities.

Under this framework, training covered a wide spectrum of topics, including Information Security and Data Protection under the Personal Data Protection Act, Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), Cybersecurity, Trade-Based Money Laundering and mandatory risk and compliance awareness.

Additionally, programmes such as Continuous Professional Development (CPD) for IT Security, IT Audit, and Risk Management teams; Treasury qualifications for staff in treasury operations; and awareness sessions on Environmental, Social, and Governance (ESG) aspects of lending were navigated with the support of the external facilitators. These efforts collectively ensured that our teams remain well-informed and equipped to meet regulatory expectations.

Sustainability Training

During the year, Sri Lanka Bankers' Association under the Sustainable Banking Initiative, introduced an e-Learning training related to sustainability.





Leadership Development program for Corporate Management & Sub Corporate

This initiative aims to enhance the knowledge and awareness of staff involved in the loan origination process on critical topics such as Sustainable Finance, Environmental and Social (E&S) Risk Management, and emerging opportunities in the Green Economy. By equipping employees with these insights, the Bank strengthens its capacity to integrate sustainability considerations into everyday banking operations.

The Bank remains committed to advancing sustainability across all aspects of its operations, ensuring that employees are prepared to support responsible banking practices and contribute to long-term environmental and social impact.

"Building a Learning Ecosystem" - Learning Management System

The Bank continued to enhance its Human and Intellectual Capital by investing in a robust, future-ready learning ecosystem during the year. The Bank partnered with a leading vendor to implement a comprehensive Learning Management System (LMS), representing a major milestone in its ongoing learning and development strategy.

This transformative initiative provided employees with seamless access to current learning resources and interactive training modules, delivering scalable, engaging, and flexible learning experiences across the organisation. The LMS also enabled

systematic tracking, measurement, and evaluation of learning outcomes, ensuring alignment with the Bank's strategic objectives and performance expectations.

Functioning as a centralised platform, the LMS supports the annual Training Needs Analysis (TNA), facilitates structured Assessment and Development Centers, and hosts a wide portfolio of e-learning programmes. Learning outcomes were rigorously assessed through structured evaluations, reflections, and outcomes were measured in accordance with the Kirkpatrick Evaluation Model, reinforcing a data-driven approach to capability development.

As an end-to-end learning ecosystem, the LMS monitors employee learning journeys from onboarding onwards via personalised learning dashboards. It empowers employees to take ownership of their development by exploring available learning opportunities, engaging with the monthly training calendar, and accessing training through multiple delivery channels. This initiative underscores Pan Asia Bank's steadfast commitment to continuous learning, equipping its workforce with the skills and competencies required to excel in a dynamic and competitive banking environment.

External Trainings

In 2025, the Bank continued to prioritise the professional development of its employees by providing access to learning opportunities from leading external institutes. These initiatives enabled staff to absorb external knowledge, stay abreast of emerging trends, and understand innovations, including applications of Artificial Intelligence in the banking sector.

During the year, over 100 external training opportunities were offered, complemented by quiz competitions and knowledge-sharing forums. These initiatives not only enhanced technical and professional competencies but also provided employees with valuable opportunities to network with industry experts, exchange insights, and broaden their understanding of global best practices.

By integrating external learning with internal development programs, the Bank reinforced its commitment to cultivating a skilled, future-ready workforce capable of driving innovation and delivering sustainable business outcomes.

Overseas Training - Management Development Programme

In today's dynamic business environment, leaders are required to continuously update their skills in business strategy, management, and leadership, while cultivating a mindset that embraces innovation, disruption, and rapid change. Agile leaders must possess the vision and capabilities to understand the strategic, financial, operational, and human implications of their decisions.

In response to these evolving requirements, the Bank introduced the Management Development Programme for Future-Ready Leaders in collaboration with Nanyang Technological University, Singapore. The programme was designed to equip participants with the skills necessary to manage and lead effectively in the modern workplace.

Leadership within the programme is built on key pillars, including agility, change management, employee engagement, communication, and negotiation. By focusing on these critical competencies, the Bank aims to develop a cadre of forward-looking leaders capable of navigating challenges, driving organisational growth, and fostering a high-performance culture.

"Empowering Voices" - Effective Employee Relations

The Bank encourages an open and transparent culture where every employee is empowered to voice concerns, share ideas, and contribute to organisational improvement. Employees are provided opportunities to engage directly with the CEO and senior management, fostering inclusivity in decision-making processes.

To support this, several forums were introduced during the year, enabling staff to raise concerns, share suggestions, and collaborate on solutions that drive operational excellence and enhance workplace satisfaction. These platforms reflect the Bank's commitment to listening to its employees and building a culture of trust, engagement, and continuous improvement.

JCC Meeting

The Joint Consultative Committee (JCC) meetings were held online via Zoom under the leadership of the Director/CEO, with the participation of members of Corporate Management. The JCC provides an open platform for employees to share feedback and raise concerns directly with senior management, supporting effective communication, reducing misunderstandings, and strengthening a positive working culture across the Bank.

Coffee With CEO

As part of the Bank's efforts to strengthen communication and build closer ties between management and employees, "Coffee with CEO" sessions were conducted. This initiative fostered meaningful connections by providing selected employees the opportunity

to engage face-to-face with the CEO in candid discussions over coffee and refreshments, encouraging open dialogue and mutual understanding.

Encouraging Employee Voice through HR Business Partner

To gain deeper insights into employee experiences, HR Business Partner (HRBP) visited over 36 branches and departments during the year, conducting one-on-one discussions with every employee. This approach fostered trust and openness, encouraging honest feedback and enabling employees to share grievances, concerns, and suggestions directly.

Complementing these efforts, several employee engagement activities were successfully executed through a structured event calendar, covering religious, cultural, sports, and recreational initiatives. These activities kept employees motivated, engaged, and active contributing to higher retention and reduced turnover.

Employee Well-being, Engagement and Culture

Employee well-being remained central to the Bank's organisational culture. Wellness programmes, communication channels and improved grievance mechanisms strengthened the trust and transparency. Cultural transformation efforts emphasised service excellence, ethics, collaboration and innovation, reinforcing the behavioural expectations required to support the Bank's long-term strategy.

Employee Well-Being Survey

During the year, the Bank, in collaboration with the Employee Federation of Ceylon (EFC), conducted a comprehensive Employee Well-being Survey covering the entire staff. The objective was to assess overall satisfaction and evaluate physical, psychological, social, workplace, and emotional well-being levels.

The survey provided valuable insights into stress levels, anxiety, mental health needs, work pressure, team collaboration, communication gaps, and factors impacting morale, motivation, or burnout. The Bank achieved an average well-being score of 3.9, indicating a "Generally Satisfied" level, where employees maintain a moderate sense of well-being.

In addition to mental health support through external counselling services, physical and team-building activities were organised via outbound training programs. The survey enabled the Bank to identify gaps and areas for improvement, reinforcing its commitment to employee wellness and engagement.

Thai Pongal Celebrations

Pan Asia Bank celebrated Thai Pongal, the cherished harvest festival of the Tamil community, with the active participation of employees across the Bank. Staff members throughout the Pan Asia network enthusiastically engaged in traditional rituals and religious observances, while branches and departments enhanced the festive atmosphere with vibrant Kolam designs and Thoranam decorations. Employees, dressed in colourful traditional attire, came together in a spirit of unity, reflecting the Bank's commitment to inclusion and cultural appreciation.

Pan Asia Ridma 2025

As part of its commitment to nurturing a vibrant workplace culture, Pan Asia Bank organised Pan Asia Ridma 2025, an engaging talent showcase that provided employees with a platform to demonstrate their skills in singing, dancing, and playing musical instruments.

With 23 participants competing across multiple categories, Ridma was more than an entertainment event; it reflected the Bank's continued focus on strengthening a sense of belonging, creativity, and community among employees.

In today's dynamic work environment, fostering meaningful connections beyond day-to-day responsibilities is essential to employee engagement and wellbeing. Accordingly, Ridma implemented as part of the Bank's employee engagement initiatives enabled team members to express their personal passions and showcase hidden talents. The event was also



Thai Pongal celebrations

featured across the Bank's social media channels, allowing a wider audience to recognise and celebrate the diverse talents within the Pan Asia Bank family.

Apeksha Hospital Donation

Pan Asia Bank staff members reaffirmed the Bank's commitment to community wellbeing by supporting Apeksha Hospital, Sri Lanka, through a compassionate initiative. As part of this effort, the Bank donated essential medicines to address a shortage at the hospital and to support patients who urgently required these items.

This contribution helped bridge critical gaps in supply, ensuring much-needed assistance for both patients and the dedicated medical staff serving them.



Donation to Apeksha Hospital

Healthy Food Day

Healthy Food Day was initiated to promote healthy eating habits and encourage a balanced lifestyle among employees. As part of the initiative, staff members were encouraged to make healthier food choices and sustain these positive habits throughout the year.

At the Head Office, a herbal tea station was arranged, offering traditional Sri Lankan herbal infusions such as Belimal, Ranawara, and Nil Katarolu, among others, further supporting employee wellbeing through healthier daily options.

Women's Day

Pan Asia Bank remains committed to fostering an inclusive and supportive workplace for women. In celebration of Women's Day, a thoughtful gesture was extended by presenting each female employee with a pocket mirror as a symbol of appreciation and respect.

This simple yet meaningful initiative recognised the strength, confidence, and valuable contributions of our women employees, who play an important role in driving the Bank's performance and achieving its business goals.



Women's Day Celebrations

Pan Asia Bank Avurudu Celebrations

Pan Asia Bank celebrated the Sinhala and Tamil New Year with a series of initiatives that reflected our identity as a truly Sri Lankan bank and reinforced our commitment to local values and traditions.

Traditional Avurudu Attire: As part of the celebrations, a dedicated day was organised encouraging employees to wear traditional Avurudu attire, creating a vibrant and festive atmosphere across the Bank.

Avurudu Kumara & Kumariya: The celebrations were further enriched by the selection of the New Year Prince and Princess through a digital voting platform, enabling employees across the network to participate and vote for their preferred candidates.

Pan Asia Avurudu Games: The Bank also organised Avurudu games on the first working day after the New Year holidays, continuing an annual tradition that captures the festive spirit and brings employees together in a joyful and collaborative environment.

Vesak Card Competition

Employees participated in a Vesak card competition, using the opportunity to express creativity while sharing messages of peace and goodwill with loved ones, colleagues, and the wider community. The competition received a strong response, with numerous entries showcasing a wide range of thoughtfully designed cards that reflected the significance of this revered Buddhist religious festival.

Vesak Lantern Competition

In celebration of Vesak, a lantern-making competition was organised to symbolise the light of the Buddha, Dhamma, and Sangha. The initiative was conducted across the branch network and at Head Office,



Avurudu Kumara & Kumariya



Award winning Vesak Cards

encouraging employees to decorate their workplaces with Vesak lanterns, lights, and other festive décor. The most creative displays were recognised and awarded prizes.

Pan Asia Bank Cricket Fiesta

In collaboration with the Sports Club, the Pan Asia Cricket Fiesta 2025 was hosted, the Bank's largest employee engagement event of the year. Over 1,000 staff members took part, with teams representing all regions, branches, and departments across Sri Lanka competing for the Challenge Trophy.

The event created a lively and inclusive atmosphere, complemented by food and refreshments, DJ entertainment, and a Papare Band—bringing employees together in a true spirit of teamwork and celebration.

Poson Bathi Gee

In support of the Gangodawila Girls' Child Development Center and in line with the Bank's commitment to social responsibility, the Poson Bathi Gee programme was organised together with a donation drive. Gifts and essential items were collected and donated to support the children and the Centre's day-to-day needs.

The programme also aimed to create awareness of the significance of Poson Poya Day while fostering a warm and caring environment that supports the children's wellbeing, learning, and development.



Cricket Fiesta - Winning Team

Poson Ice Cream Dansala

Upholding the valued tradition of offering alms, Pan Asia Bank organised a Poson Ice Cream Dansala at the Bank's Head Office premises with the active participation of employees. During the event, over 11,000 ice creams were distributed to members of the public, reflecting the Bank's commitment to community engagement and sharing during the Poson season.



Ice Cream Dansala

Staff Art Competition

The Bank's well-received Staff Art Competition was conducted for the fifth consecutive year, attracting strong participation from talented employees across the network.



Prize winning Art

The competition provided a platform for staff to showcase their creativity under the themes “The Beauty of a Sustainable Future,” “Voices of the Wild,” and “Abstract Art.”

Kids Art Competition

The much-anticipated Kids’ Art Competition was conducted for the fifth consecutive year, providing a platform for the children of employees to showcase their creativity while supporting their learning and development. The competition received an enthusiastic response, with young participants eagerly demonstrating their talents in drawing and painting.

Photography Competition

The Pan Asia Bank Photography Competition was conducted to encourage employees who pursue photography as a hobby. Open to staff members of all ages, backgrounds, and skill levels, the competition invited participants to submit their “best shot” under two categories: Mobile Phone Photography and DSLR Camera Photography. The initiative received an overwhelming response from photography enthusiasts across the Bank, with over 400 photographs received for consideration.







Prize winning Photographs

Paan Party

The Paan Party was organised as a special initiative to boost employee morale and strengthen team bonding. As part of the event, employees came together to share paan (bread) and related items as a team, creating an informal setting that encouraged interaction, camaraderie, and stress relief. The initiative also supported a positive workplace culture by promoting togetherness and open communication across teams.



Paan Party

Pan Asia Bank 30th Anniversary Celebrations.

In October 2025, Pan Asia Bank proudly celebrated 30 years of service to the nation. To mark this milestone, employees across the Bank were dressed in corporate colours, reflecting unity and pride in our shared journey.

Religious observances, including a Pirith ceremony and other religious ceremonies, were conducted to invoke blessings for our employees and their families, as well as for our valued customers.



Religious Ceremony

Christmas Carols Program

Pan Asians came together with colleagues across the network to continue the Bank’s annual tradition of hosting Christmas Carols, sharing the spirit of the season through unity and celebration.

To bring Christmas cheer to young hearts, a Christmas carols programme was organised at Lady Ridgeway Hospital. In addition, a meaningful charity initiative was carried out by donating much-needed supplies to children and parents at the hospital, reinforcing the Bank’s commitment to compassion and community support.



Christmas Carols

Book Donation and Library Renovation - CSR Project

As part of the Bank's CSR commitment, Human Resources Department initiated a book donation and library renovation programme to support education, promote literacy, and improve students' access to quality learning resources at Girilla Bodhiraja Vidyalaya. The initiative focused on the complete renovation of the school library, enhancing the learning environment for students and strengthening the school's resource base.



CSR Project - Book donation & Library renovation

Blood Donation

The Blood Donation Camp is an annual employee engagement initiative organised to provide employees with a meaningful opportunity to contribute to the wellbeing of the community by supporting the national need for blood donations.



Blood Donation Camp

Long Service Awards

The Long Service Awards is a prestigious annual event organised to honour the unwavering dedication and loyalty of Pan Asia Bank employees who have completed 15, 20, 25, and 30 years of service. This celebration reflects the Bank's deep appreciation for the invaluable contributions of its long-serving team members. The event featured captivating entertainment, followed by a delightful dinner and fellowship.







Long Service Awards

RISK MANAGEMENT

Vision and Culture

Every business encounter risks that pose potential threats to its success. Broadly defined, risk is the potential adverse outcome of a situation, determined by the product of its impact and probability. Effective risk management, through the adoption of industry best practices and the use of advanced processes, methods, and tools, enables the Bank to mitigate these risks and uncertainties while capitalising on opportunities for growth. This approach not only safeguards the value already created but also supports the Bank's strategic aspirations.

Aligned with the Bank's overarching strategy and four-year strategic plan, the strategic decision-makers, including the Board of Directors, Chief Executive Officer, and Corporate Management, determine the acceptable level of risk as the risk appetite. These leaders ensure that the agreed-upon strategies are implemented without exceeding this risk appetite.

Beyond formal controls and high-quality risk reporting, the Bank fosters a strong risk culture, which is integral to embedding the risk appetite set by the Board at all organisational levels. Risk culture reflects the shared attitudes, values, and practices concerning risk and guides how employees at every level integrate risk considerations into their daily activities.

The Bank's risk management function is proactive, focusing on identifying potential risks, assessing their significance, and implementing strategies to address them. By anticipating risks and formulating response plans in advance, the Bank is better prepared to manage challenges effectively and efficiently, ensuring a cost-effective approach to mitigating risks should they materialise.

The Basel framework classifies risks under two main pillars.

Pillars	Risk Category
Pillar I	- Credit Risk
	- Market Risk
	- Operational Risk
Pillar II	- Strategic Risk
	- Liquidity Risk
	- Settlement Risk
	- Credit Concentration Risk
	- Technology & Information Security Risk
	- Interest Rate Risk in the Banking Book
	- Legal & Compliance Risk
	- Reputational Risk
	- Sustainability Risk

The above Risks are managed prudently by the Bank.

The control techniques employed by the Bank for risk management are;

- Risk policies and governance at the Board level.
- Organisation structure with required independence, authority, responsibilities and accountabilities.
- Corporate governance system equipped with the Board Committees constituted according to the industry best practices and regulatory guidelines.
- Independent risk management function led by Chief Risk Officer and separate units to manage main risk associated with the business mainly credit, market, operational and supported by officers with required expertise and exposure in respective risk areas. Risk aggregation methodology is adopted to assess the overall risk level of the Bank.
- Continuous adherence to regulatory guidelines and management effort to adapt to the dynamic market environment with appropriate risk assessments on an ongoing basis.
- Adherence to the Internal Capital Adequacy Assessment Process in order to maintain adequate risk-based capital buffer.
- Maintain a well-balanced risk management function with required independence and effective support for decision making.
- Risk oversight which constitutes identifying and assessing risks, ensuring the risk is appropriately controlled by way of setting goals and monitoring and reporting same to the Board Integrated Risk Management Committee for corrective and remedial action.
- Day-to-day risk management function is done by the business units which are also known as the 'first line of defence'.
- Chief Compliance Officer heading Compliance Department manages the compliance risk of the Bank. Compliance Function reports to BIRMC.
- Chief Information Security Officer heading Information Security Unit manages the Information Security Risk. Information Security function reports to BIRMC through the Information Security Committee.



The responsibility of understanding the risks assumed by the Bank and ensuring that the risks are appropriately managed, is vested with the Board of Directors. The Board ensures that the Bank has established a robust and acceptable risk culture with clear policies that define risk management as the responsibility of Bank's corporate and senior management, subject to the oversight of the Board establishing limits based on risk appetite of the Bank. The Senior Management has established an integrated Risk Management Framework in order to assess and appropriately manage various risk exposures of the Bank, developed systems to monitor risk exposures and relate them to Bank's capital on an ongoing basis, established methods to monitor the Bank's compliance with internal policies relating to risk management and effectively communicate all policies and procedures throughout the Bank via the intranet, e-learning portals and training program.

Roles and responsibilities for risk management are defined under a Three Lines of Defence Model. Each line of defence describes a specific set of responsibilities for risk management and control framework.

- The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business unit and function heads are accountable for risk management in their respective businesses and functions.
- The second line of defence consists of risk control owners and their supporting functions, responsible for keeping residual risks within the Bank's risk appetite. Their responsibilities are defined by risk type and are not limited by function or business.
- The third line of defence is independent assurance by Internal Audit, overseen by the Board Audit Committee. Internal Audit reviews the effectiveness of controls in both the first and second lines, ensuring the overall risk management framework operates as intended.

Three Lines of Defence		
First line of defence	**Second line of defence**	**Third line of defence**
Involvement by the Board, CEO, Corporate Management, Board and Management Committees, accountability and responsibility of Senior and Middle Management supported by internal controls, governance structure, processes and risk management	Oversight by BIRMC and independent risk monitoring and Compliance	Oversight by the Board Audit Committee an independent check and quality assurance
Strategy, performance and risk management	**Policy, monitoring and oversight**	**Independent assurance**
Board of Directors, Managing Director/CEO, Corporate Management, Senior Management and all Business and Operations Units	Integrated Risk Management Units and Compliance Department	Internal Audit and External Audit

RISK MANAGEMENT

Risk Appetite

The Bank's risk appetite is defined in the Bank wide Risk Management Policy. The policy balances business growth with prudent risk exposure in line with industry best practices. It incorporates regulatory and internal risk limits, which are monitored quarterly and significant risks reported monthly to the Board. These limits are reviewed annually to align with business strategy, regulatory requirements, and emerging opportunities.

The following table shows the selected risk appetite of the Key risk areas of the Bank

Risk Area	Risk Appetite Criteria	Risk Appetite Limit/Range
Credit quality and concentration	Gross stage III Loans to Total loans	≤ 6% (Internal)
	Net stage III Loans to Total Loans	≤ 3% (Internal)
	Stage III impairment on Stage III Gross Loans	≥ 35% (Internal)
Solvency	Total Tier I capital adequacy ratio	> 8.5% (Regulatory) + 0.5% (Internal)
	Total capital adequacy ratio	>12.5% (Regulatory)+ 0.5% (Internal)
Balance Sheet Structure	Loans to Deposit Ratio	≤100% (Internal)
	Liquidity Coverage Ratio	≥100% (Regulatory) + 20% (Internal)
	CASA Ratio (Low Cost of Funds Ratio)	> 20% (Internal)
	Maximum short & long overnight forex position (NOP)	- < USD 5. 0 Mn +/-
Operational risk	Operational losses not covered by insurance as a % of net income (Direct Loss to P & L)	≤1.0% of the net income
	System down time (Core Banking)	Not more than 1 incident per month

During the period of reporting, the Bank managed the risk limit well within the thresholds indicated. In addition to the above, the Bank maintains more stringent Risk Goals and strives to achieve the same.

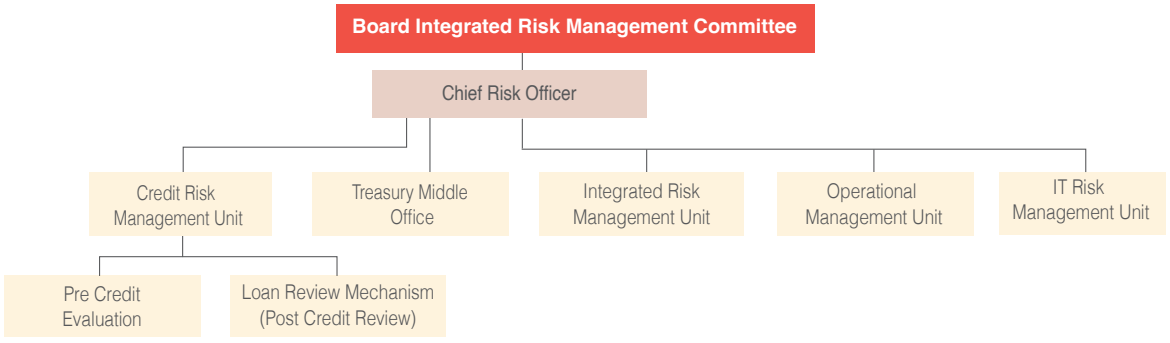
Board Risk Management Committee (BIRMC)

The BRIMC plays a pivotal role in overseeing the Bank's risk governance framework. It ensures that all material risks are identified, assessed, and managed in line with regulatory requirements and the Bank's risk appetite. The committee provides strategic direction on risk policies, monitors adherence to risk limits, and reviews the effectiveness of risk management practices across the institution. Their detailed responsibilities are elaborated in the Committee write-up.

Risk Management Department

Risk Management Department plays the role of measuring and monitoring risk on an ongoing basis to ensure compliance within the parameters set out by the Board, BIRMC, and other management committees for performing the Bank's overall risk management function.

The risk management function is headed by the Chief Risk Officer (CRO) and under the CRO separate independent units are established to manage the main risk associated with the business, mainly credit, market, operational and IT risks. All the units are supported by officers with the required expertise and exposure in respective risk areas.



Credit Risk

Credit risk refers to the potential loss of interest, capital or value of the collateral due to an obligor's failure to meet the term of a contract or otherwise failing to perform as agreed. Credit risk can arise from both on and off-balance sheet activities consisting of contingent liabilities incurred by the Bank and due to the Bank, from counterparties such as letters of credit, letters of guarantee etc.

The Bank has adopted a stringent credit risk management process to mitigate the risk associated with the loan book by way of following strategic initiatives:

- The credit risk management organisational structure includes a dedicated Credit Risk Management Unit that reports directly to the Chief Risk Officer (CRO).
- Written policies on credit granting procedure, Bank wide risk management, credit risk management, loan review mechanism and review of such policies on a yearly basis.
- Instructions and guidance to employees in credit chain on annually/quarterly review of credit facilities, credit origination and maintenance procedures and guidelines for portfolio management.
- Established accountability of credit officers, branch managers, relationship managers and business unit heads for managing credit risk within credit risk management framework of the Bank.
- Post disbursement credit monitoring unit, which is coming under the Head of Recoveries direct supervision, monitors payment due loans and advances to initiate recovery, rescheduling and restructuring action to curtail new additions to non-performing loans and advances, thereby ensuring quality of advances portfolios.
- The Business Revival Unit supports customers in navigating economic challenges by providing tailored guidance to help businesses recover, particularly those severely impacted by the country's economic downturn. This reinforces the Bank's commitment to resilience and sustainable growth.
- Delegate authority on lending powers to officers in the credit chain based on a predetermined consistent set of standards of grade, experience and job functions, abilities and judgemental capabilities.
- Assignment of borrower risk rating for general credit facilities.
- Risk-based pricing: depending on the rating of the borrower, the Bank determines both the interest rate and collateral requirements based on the borrower's credit rating.
- Requirement for higher level sanction for proposed credit facilities increase as risk rating deteriorates.
- Established dual responsibility in the credit proposals with independent review by Credit Risk Management Department for credit facilities based on a value threshold and structured retail facilities.
- Established independent Centralised Credit Processing Unit to ensure accuracy and maintenance of security documentation of credit facilities and limit setting.
- Established credit risk limits for risk rating and concentration on segment, industry, geography, and personal banking products.
- Independent loan reviews carried out by the Credit Risk Department by way of post disbursement examinations of credit papers in order to ensure the quality of the loan book.
- Impairment on potential delinquents is assessed through objective evidence reviews by business units, evaluation of the adequacy of impairment provisions to absorb credit risk in the lending book, and the adoption of a robust stage upgrade process.
- A constant stress testing methodology is applied on all significant credit exposures and stress tests are carried out on a regular basis.
- Improving skills in evaluating credit proposals through knowledge sharing and training programs facilitated by both internal and external experts.
- Watch – Listing Accounts by Credit Monitoring Unit (CMU)

The CMU places accounts on a watch list when early warning signals indicate potential credit deterioration. This proactive measure helps the Bank closely monitor such accounts to mitigate risk and prevent delinquency. Watch-listing typically occurs due to factors such as:

- Declining financial performance of the borrower
- Irregular repayment patterns
- Adverse changes in industry or market conditions
- Breach of covenants or other risk indicators

Once an account is watch-listed, CMU intensifies monitoring, requests additional information, and may recommend corrective actions to safeguard the Bank's lending portfolio.

Credit Risk Management Committee

The Credit Risk Management Committee is responsible for the day-to-day credit risk management, operation and control functions of the Bank in conformity with policies and

strategies approved by the Board of Directors. The Committee is chaired by the CEO and comprises senior management from the credit related function of the Bank.

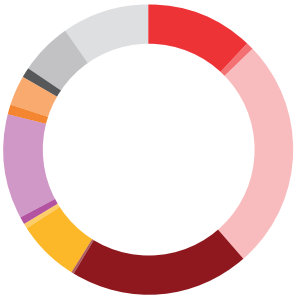
Credit Concentration

Concentration risk turns up when the credit portfolio is unevenly distributed to individual issuers or counterparties or within industry sectors/sub sectors, segments, internal risk ratings, geographical regions and products.

- **Sector Concentration**

The Bank's sector concentration is on par with the widely accepted norms, risk appetite and regulatory requirements directed by the regulator. Exposure to each sector is closely monitored by the Credit Risk Management Committee and the Board Integrated Risk Management Committee against the predetermined limits. The committee strikes the correct blend of portfolios ensuring the least impact on the business when changes take place in the operating environment.

Sector Wise Concentration



Agriculture, Forestry & Fishing	12.03%
Arts, Entertainment & Recreation	0.77%
Construction & Infrastructure Development	25.94%
Consumption	20.02%
Education	0.30%
Financial Services	6.84%
Health Care, Social Services & Support Services	0.54%
Information Technology and Communication Services	0.87%
Manufacturing	11.62%
Professional, Scientific & Technical Activities	1.24%
Tourism	3.36%
Transportation & Storage	1.17%
Lending to Overseas Entites	5.75%
Wholesale & Retail Trade	9.54%

- **Geographical Concentration**

The Bank also maintains prudent oversight over geographical concentration in line with its risk appetite. Credit exposures across provinces and districts are regularly reviewed by the Credit Risk Management Committee and the Board Integrated Risk Management Committee to ensure alignment with predetermined regional exposure limits. Any concentrations that exceed or are likely to surpass set thresholds are thoroughly examined, and appropriate measures are initiated to rebalance the portfolio in accordance with the Bank's strategic priorities and emerging regional risks. This framework ensures a diversified geographic footprint, reducing vulnerability to region-specific economic, climatic, or socio-political disruptions while safeguarding the overall stability of the credit portfolio.

Geographical Concentration

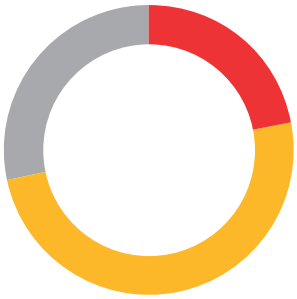


Central	10.25%
Eastern	2.55%
North Central	2.91%
North Western	5.30%
Northern	3.23%
Sabaragamuwa	4.07%
Southern	6.18%
Uva	2.21%
Western	63.29%

- **Segment Concentration**

The Bank's segment concentration remains well within the established risk appetite parameters and regulatory expectations. Lending exposures across customer segments corporate, SME and retail are continuously monitored by the Credit Risk Management Committee and the Board Integrated Risk Management Committee against predefined internal limits. Any deviations or concentrations approaching threshold levels are subjected to detailed analysis during Committee deliberations, ensuring timely corrective actions. The Committee maintains an optimal balance among customer segments to mitigate undue dependency on any single borrower group and to enhance portfolio resilience. This disciplined approach enables the Bank to minimise earnings volatility and withstand shifts in customer behaviour or demand patterns arising from changes in the operating environment.

Segment Wise Concentration



Corporate	22.10%
Retail	49.62%
SME	28.28%

Stage III Management

The Bank's Stage III impaired loan ratio has shown a gradual improvement over the recent quarters, declining from around 8.5% in early 2023 to approximately 4.95% by 4Q 2025. This trend reflects strengthened credit underwriting and improved recovery efforts. Importantly, this reduction has occurred despite a relatively modest pickup in credit growth following the gradual easing of monetary conditions and recovery in domestic demand. In comparison, the banking sector's Stage III ratio remains materially higher, hovering between 12%–13% over the same period.

Against this backdrop, the Bank has demonstrated comparatively stronger asset quality resilience, with Stage III impaired loan ratio reducing faster than the overall sector. This indicates solid credit risk management practices, focused restructuring strategies, and selective lending in more stable segments of the economy. Nevertheless, continued vigilance is required as certain vulnerable sectors remain in recovery mode and the full normalisation of credit conditions will depend on maintaining macroeconomic stability.

Market Risk

Market risk is the risk associated with movements in market factors, including foreign exchange rates, interest rates, equity prices and commodity prices which have an impact on the Bank's income or the value of its portfolios. Its effective recognition could minimise the potential loss of earnings or economic values arising principally from customer driven transactions and the Bank's relevant investments.

The categories of market risk of the Bank are:

- Interest rate risk
- Foreign exchange risk
- Equity price risk
- Commodity price risk

Market Risk Governance

Market risk exposures arising from the trading book are managed by the Treasury Department whilst the non-trading activities relating to market risks are managed through the Assets and Liabilities Committee (ALCO).

The Board Integrated Risk Management Committee (BIRMC) is responsible for policies and other standards for the control of market risk. Market risk goals are closely monitored by Treasury Middle Office and discussed on a periodic basis for appropriate and timely action.

Value at Risk (VaR)

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using VaR methodology for selected portfolios using the following simulation techniques:

- Historical simulation
- Monte Carlo simulation
- Parametric method

VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. This exercise is carried out by Treasury Middle Office with the help of Bloomberg system. Results are reviewed periodically at the Board Integrated Risk Management Committee (BIRMC) meetings. VaR is calculated for expected movements over a horizon of one month with confidence levels of 95%, 97.5% and 99%. Results are compared with the internal VaR limits stated in the Treasury Procedure Manual which is 10% of the Market Value for Treasury Bills/Treasury Bonds and 5% of portfolio value for Net Open Position. Apart from the standard Bloomberg VaR computation, the Bank also calculates an interest rate VaR for the entire Bank using a statistical approach.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is the policy of the Bank to ensure that adequate liquidity is maintained in all currencies to meet its obligations.

ALCO monitors the liquidity risk which is performed through cash flow management, maintenance of liquidity ratios such as statutory liquid asset ratio, liquidity coverage ratio, net stable funding ratio and advances to deposit ratio. Results are also reported to Board integrated Risk Management Committee on a quarterly basis.

Assets and Liabilities Committee (ALCO)

The Bank's Market Risk and Liquidity Risk exposures are controlled by limits approved by the Board which are monitored by the Assets and Liabilities Committee. ALCO overlooks the management of the Bank's overall liquidity position and is responsible for liquidity risk and market risk management of the Bank and implementation of liquidity management policies, procedures and practices approved by the Board of Directors. This is achieved through proper representation of key business heads, frequent ALCO meetings and continuous monitoring of the liquidity position of the Bank through reports submitted by Treasury Middle Office and Planning Departments.

Treasury Middle Office (TMO)

Market Risk management function which is separate from the Treasury is monitored by the independent Treasury Middle Office (TMO) which consists of highly qualified experienced staff members. Some of the Key monitoring activities of Market Risk/Middle Office include but not limited to:

- Daily monitoring of adherence to Board approved counterparty limits and exposure limits set by the Central Bank of Sri Lanka (example net open position limit).
- Monitoring activities prescribed by CBSL such as Liquidity Coverage Ratio, Reserve Requirements etc.

- Monitoring of treasury trading activities including take profit and loss limits.
- Marked to market calculations of trading and investment portfolios.

The BIRMC discusses in detail the key risk goals in relation to market risk at each meeting. During the year under review, corrective actions have been taken where necessary to mitigate/ avoid current and potential market risks envisaged. This is supported by a Board approved treasury procedure manual. In addition, Value-at-Risk (VaR) computations are done by Treasury Middle Office on a monthly basis.

TMO continued to focus on improving the quality and timeliness of its monitoring activities. It monitors regulatory and wider industry developments closely and engage with regulators, as appropriate, to help ensure new regulatory requirements are implemented effectively and in a timely way, adjusting our policies, procedures and relevant controls as required. The Bank continues to actively review and develop its risk management framework and enhance its approach to managing risk.

Recovery Plan (RCP)

The Bank has its Board approved Recovery Plan as the tool to guide the Bank to recovery at a time when it is in a distressed scenario in an orderly manner. Recovery plan identifies credible options to survive a range of severe but plausible stressed scenarios. Plan covers the key elements such as scope, what critical functions and critical shared services bank should operate, recovery triggers and recovery options, responsibilities of Board of Directors and Management, availability of management information, communication planning and reporting requirements.

During 2025, Bank's recovery plan was amended based on the new directive issued by Central Bank in September 2025 which aligns with the Banking Special Provisions Act (BSPA) BSPA No. 17 of 2023. Bank is expected to submit data templates for resolution planning in line with the BSPA directions annually on or before 31st of March of the following year, on the request of CBSL or immediately after any material changes in its structure, business or financial condition

The Monitoring of recovery indicators is carried out by Treasury Middle Office. Also, it reviews the plan on an annual basis. The Bank is committed to further developing its recovery and resolution capabilities in line with the regulatory developments.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and system or from external events. Operational risk is relevant to every aspect of the Bank's business and covers a wide spectrum of issues. Losses arising through fraud, unauthorised activities, errors, omissions, inefficiency, and system failure or from other external events fall within the operational risk definition. However, the mentioned definition includes risk resulting from legal aspects and excludes the risk resulting strategic and reputational aspects.

Objectives and Benefits

Efforts on operational risk and control management are increasingly valuable to the business at Pan Asia Bank. In addition to the regulatory need, these efforts are important to minimise losses and protect the Bank's capital.

All employees have a clear vision of the potential benefits. Some of the objectives and benefits of the Operational Risk Management Framework of the Bank are as follows:

- Identifies the Risk Exposures - Operational Risk Management Framework enables the Bank to identify, measure, monitor and control the inherent risks of the business/operations units to mitigate losses.
- Develops Visibility - The Operational Risk Management Strategy provides visibility to the ongoing risk management efforts and brings high risk areas to the focus of Management and enhances capability to compile and submit reports to appropriate risk management committees and forums and the regulator.
- Risk Smart Workforce - The application of the Risk Management Framework and strategy support a cultural shift in the Bank to have risk smart employees and a risk sensitive work environment, which helps the Bank to have a competitive edge in the market.
- Personal Accountability of Employees - Operational Risk Management Framework allows the management to better incorporate accountability into the work environment and individual performance of employees.
- Efficient Allocation and Optimum Usage of Bank's Capital - Under the local regulatory directions, the Banks are required to maintain capital on operational risk and further require banks to apply more advanced approaches to calculate the capital requirements. With streamlined risk management processes the Bank strives for efficient allocation of risk sensitive capital.
- Brand Image of the Bank - Better operational risk management will enhance and improve the Bank's ratings, share price and market reputation since industry analysts

perceive it as long-term stability and performance of the Bank.

Principles of Operational Risk

The following principles govern the management of operational risk in the Bank:

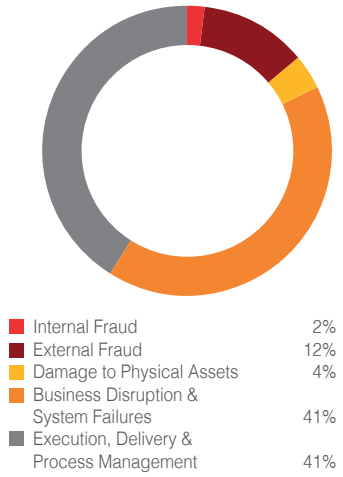
- The internal operating policies of the Bank's Operational Risk Management Framework are outlined in the Operational Risk Management Policy which is approved by the Board of Directors and annually reviewed and updated.
- Currently the Bank is contemplating to migrate to advanced approaches in calculation of capital charge for operational risk.
- The Bank's Operational Risk Management practices are subject to independent review by internal and external auditors.
- The Bank has a dedicated Operational Risk Management Unit to manage and monitor operational risks and controls, ensure loss data is accurately recorded and reported internally as well as externally. Operational risk related incidents are closely investigated, and recommendations given on required controls to avoid similar operational risk related incidents in the future.
- Operational Risk Management Unit has introduced an automated incident reporting system during the period under review to escalate operational risk Incidents timely manner in order to take appropriate actions effectively and efficiently to avoid or mitigate similar incidents in future.

Methodologies and Strategies

For effective monitoring and mitigation of operational risk, the Bank has implemented following methodologies and strategies: The Management of operational risk comprises;

- Identification, assessment, monitoring and control of operational risk and reporting. This is required to maintain losses within acceptable levels and to protect the Bank from foreseeable future losses. Acceptable losses are highlighted in the Bank's risk appetite statement.
- The Operational Risk Management Unit, under the supervision of the Unit Head - Integrated Risk Management, is responsible for conducting Risk and Control Assessments (RCAs) for the business and operations units across the entire Bank. In 2024, the unit conducted RCAs and monitored Key Risk Indicators (KRIs) for 46 units/departments and KRI monitoring for 88 branches.
- Root cause analysis for Operational risk related incident reports are performed and required remedial actions are recommended and reported to relevant Key Management Personnel.
- Significant risk exposures are reported to business/operations units as and when identified.
- Approved key risk indicators are managed through data gathering and report to BIRMC on a quarterly basis.
- The Operational Risk Management Unit provides continuous training to employees of the branch network and all other departments on Operational Risk Management Framework.
- Risk and Controls Assessments (RCAs) are performed on new and existing products and processes to minimise any losses that may be incurred on identified risks. In addition, the activities to be outsourced and cost-effective controls are recommended to the relevant business/operations unit to minimise any future losses.
- Stress testing on operational risk losses is now conducted quarterly. The results are tabled at the Board Integrated Risk Management Committee.
- Minimise the financial impact of operational risk related losses through adequate monitoring, follow-up and utilisation of insurance cover.
- Outsource activities monitoring is performed by Operational Risk Management Unit.

Classification of Operational Risk Incidents reported during the year 2025



The largest proportion of reported operational risk incidents (41%) originated from execution, delivery, and process management deficiencies, including near-miss and no-loss events. Business disruptions and system failures represented 41% of incidents. External frauds constituted the third-largest category at 12%, primarily linked to pawning-related cases, which were effectively mitigated through insurance arrangements.

Operational Risk Management Committee

The Committee is responsible for supporting and overseeing the functioning of the Bank's operational risk management and business continuity management to comply with Bank's Operational Risk Management Policy. This includes monitoring and supporting every unit in implementing the operational risk management framework at the unit level, managing operational risk at the organisation level, reviewing operational risk management aspects in product and service development process, calculating the capital requirements for operational risk in line with the Basel framework, and maintaining the operational risk database and analysing the loss data in the database, etc.

The Bank also ensures the cooperation among Operational Risk Management Unit, Information Security Compliance and Internal Audit, in respect of information sharing, analysing and setting of controls to enhance the efficiency of operational risk management and internal control of the Bank.

IT & IS Risk Management Unit

Established IT & IS Risk Management Unit under Integrated Risk Management in addition to above as per the requirements of Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks. The main tasks of the unit are;

- Develop, build, and maintain measurable technology risk indicators with approved risk tolerance levels.
- Conduct risk assessments & risk mitigation planning to identify potential technology-related risks and vulnerabilities within the organisation's systems and processes.
- Ensure the Risk management measures in the 'Product approval process', when a new technology-driven product or service is introduced or when a change is made to such product or service.
- Collaborate with various teams to develop and maintain effective controls in relation to IT, ensuring compliance with regulatory requirements and industry best practices.
- Implement and monitor the quarterly Risk and Control Self-Assessment (RCSA) process and monitor the risk management function in relation to IT Risk.
- Provide guidance and support to business units on technology risk management matters
- Assist in the preparation of risk reports for management and regulatory purposes.
- Vendor risk management: evaluate and manage risks associated with third party vendors and service providers including assessing their security posture and ensuring compliance with contractual security requirements.

Stress Testing as Risk Management Tool

Stress testing is a key risk management tool used to assess the resilience of a bank under adverse economic or financial conditions. It involves applying extreme but plausible scenarios—such as sharp interest rate changes, market shocks, or liquidity crises—to evaluate the potential impact on capital adequacy, profitability, and overall stability. Stress tests help identify vulnerabilities, guide contingency planning, and ensure that the institution maintains sufficient buffers to withstand unexpected shocks.

The following stress testing is carried out;

Risk Category	Frequency	What is the stress
Credit & Integrated Stress Testing	Quarterly	• Fall in sale value of mortgaged collateral on Stage 3 Portfolio • Increase in impairment provisions • Increase in Probability of Default of large borrowers • Impact due to increase in concentration • Integrated Effect (Economic Recession)
Operational Risk Stress Testing	Quarterly	Increase in Operational Risk related losses by: • 100% (Low) • 200% (Medium) • 300% (High)
Liquidity Risk & FX Rate Risk		• Regular stress testing on liquidity focuses on Liquidity Coverage Ratio and foreign exchange stress testing focuses on Bank's NOP under adverse scenarios and impact on Profitability and Capital

In all of the above stress testing required Capital & Liquidity is maintained in a satisfactory level.

Insurance

As part of controlling and managing threats the Bank uses insurance as a 'risk transferring strategy' for low probability and high severity impact events that are beyond the control of the Bank such as damage to physical assets by natural disasters, fire, etc. The Bank has also transferred such risk by obtaining necessary insurance policies from leading insurance providers covering; burglary, transits, forged cheques and securities, counterfeit currencies, infidelity and negligence of employees, teller cash shortages, pawned articles, fraudulent withdrawals and shortages from ATMs, electronic equipment, strikes and riots, terrorism, etc. The adequacy of the insurance covers is reviewed and monitored by relevant departments in the Bank. Operational Risk Management Unit analyses the data of past incidents of operational loss to support the review.

The Business Continuity Plan (BCP)

Ensuring operational resilience and continuity remains a key priority for the Bank. Accordingly, a structured Business Continuity Management System (BCMS) and a comprehensive Business Continuity Plan (BCP) are in place to support the timely restoration of critical operations required to meet stakeholder expectations. Potential disruptions have been assessed and categorised based on severity, forming the basis for continuity and recovery arrangements. The BCMS is geared towards protecting personnel and essential resources, while facilitating the resumption of critical functions within defined Recovery Time Objectives (RTOs), with minimal disruption to customer services and the Bank's payment and settlement activities. A cross functional management committee is formed as Disaster Management Committee (DMT). It sets out how the business will operate following a disaster incident and how it expects to return to 'business as usual' in the quickest possible time thereafter. The BCP of the Bank covers all areas of banking operations with agreed arrangements for bringing events under control. The necessary resources for maintaining critical business functions and staff required are also included in the plan. The BCP document is reviewed by the DMT along with the respective business users annually and obtains the Board approval. The Bank conducts periodic Disaster Recovery (DR) drills at least annually for Core Banking and other critical systems to ensure business resilience in an event of a major system disruption, which are independently validated by Internal Audit. The results along with Internal Audit observations are reviewed at Disaster Management Team and Board Audit Committee. A summary check list is submitted to CBSL. Table-top exercise of various scenarios preparedness is carried out at least once a year. The BCP policy has defined clearly about establishing the responsibilities of all the critical departments to further embed the business continuity culture in the day-to-day work and the Business Impact Analysis of each department of the Bank. The Bank is implementing controls in line with the ISO 22301.

Key initiatives supporting this effort include:

- Conducting comprehensive risk assessments
- Strengthening preparedness measures
- Engaging stakeholders through detailed business impact assessments
- Enhancing training and awareness
- Aligning with ISO 22301 controls

These initiatives underscore the Bank's proactive commitment to operational resilience and strengthening stakeholder confidence.

Details of the Due Diligence Test of Third-Party Service Providers

Due diligence tests of third-party service providers are carried out by respective Business/Risk Owners prior to executing new agreements and renewal of existing agreements. Assistance of Information Security Officer and Information Systems Audit Unit is obtained when conducting due diligence tests of vendors which provide IT services.

Due Diligence Tests on Outsourced Activities

In the provision of banking services, the Bank outsources few service activities related to financial services and core banking, to meet the challenges of rapid changes and innovations in technology leads to increasing specialisation in the market, cost control of operations by minimising costs of directly handling such activities, and effectively compete in the market. The outsourcing activities are governed by the laws applicable to the banking industry and directions issued by the regulator. Further, the Bank has an Outsourcing Policy approved by the Board of Directors which clearly stipulates required internal controls and due diligence in obtaining outsourced services. Operational Risk Management Unit acts as centralised Outsourced Activities Monitoring Unit (OAMU). Monitor all the required documents of outsource service providers are collected by the relevant business units and to monitor any complaints relating to Outsource Service Providers. OAMU assesses risks arising from outsource providers and ongoing performance reviews for critical service providers to support smooth function of the business.

*** List of Outsourced Activities are as follows;

Changes effected based on the latest outsource providers list for 2025.

Deliverables/ Services	Basis of the Payment
Card Management system, cards Personalisations & Support Services	Per Card
Debt collection, Skip tracing, Asset verification	Based on the output volumes
Legal Services for Recovery Matters	Per case
Processing of Salary and benefits	Per Staff - Monthly Fee
Hiring and deployment of personnel to carry out specific non - core banking services / activities	Per Person
Archival of Documents	Per Cartoon
Statements Printing	Per Statement
Cash Counting, Sorting, collection and Deliveries	Per Activity
Maintenance of "Security operations center"	Monthly Fee
Maintenance of IT hardware rented	Per hardware item
Travel Cards	Per Card

Information and Cyber Security Risk

The Bank recognises information and cyber security risk as a critical component of operational resilience, arising from the growing threats and vulnerabilities associated with information systems, digital channels, and the broader technology ecosystem. Protecting the confidentiality, integrity, and availability of information remains essential to maintaining customer trust, service continuity, and compliance with regulatory expectations. As information security risk intersects with strategic, operational, legal, regulatory, and reputational risk categories, the Bank continues to adopt an integrated and continuous approach to risk identification, assessment, mitigation, monitoring and response.

During the year, the Bank strengthened its information security governance framework through systematic policy reviews and enhancements aligned with emerging threats and the CBSL Technology Risk Management & Resilience Framework. Policies and procedures were updated, new domains were introduced to address evolving requirements, and all changes were communicated to internal and external stakeholders to ensure consistent implementation. A major achievement in 2025 was the successful completion of ISO/IEC 27001:2022 certification for four key units of Information Technology Department (ITD), Information Security Unit (ISU), Security Operations Centre (SOC), and User Management Unit (UMU). This certification demonstrates the Bank's commitment to globally recognised security standards and reinforces the strength of its control environment and assurance mechanisms.

Operationally, the Bank continued to enhance its cybersecurity posture through its Managed Security Operations Centre (MSOC), which provides 24×7 monitoring, threat detection, and incident response capability by combining skilled personnel, defined processes, and advanced technologies. The Security Information and Event Management (SIEM) platform was further optimised to improve log visibility, correlation, and response effectiveness. The Bank's overall security posture and key risk indicators were monitored and reported quarterly to the Board Integrated Risk Management Committee (BIRMC) through the information security dashboard, enabling leadership to assess the current state, identify emerging risks, and guide risk mitigation actions.

The Bank further demonstrated its preparedness and capability in incident management by participating in the Bank level Cyber Security Drill 2025 conducted by TechCERT. Among banking sector participants, PABC achieved 1st place, reflecting the maturity of its incident response processes, threat hunting capability, and crisis coordination preparedness. Continuous vulnerability management was also a strong focus during the year, with periodic Vulnerability Assessments and Penetration Tests being carried out by internal specialists as well as leading external cybersecurity firms. These assessments were integrated into system changes and pre go live reviews to ensure vulnerabilities were identified early and remediated promptly.

Proactive threat intelligence monitoring was strengthened through subscriptions to trusted alert sources, including FinCSIRT and international cybersecurity advisories. Alerts were analysed and acted upon swiftly to prevent, contain, or mitigate potential threats before they escalated into security incidents. The Bank also increased its emphasis on data protection and information handling practices. Internal data was classified, and relevant controls were enforced through the Microsoft O365 platform and other approved security tools to minimise data leakage risks and support compliance with emerging privacy requirements.

Recognising the importance of staff awareness in reducing human factor risk, the Bank conducted regular

cybersecurity training sessions and e learning programmes for employees, supported by mandatory assessments and certification. These initiatives helped reinforce secure behaviour across all staff categories and enhanced the overall security culture within the organisation.

Overall, the Bank continued to make significant progress in strengthening its information and cyber security capability during the year. Through enhanced governance, internationally recognised certifications, improved SOC operations, strong performance in industry cybersecurity exercises, and continuous monitoring of vulnerabilities and threats, the Bank has sustained a resilient security posture to safeguard its systems, data, and stakeholders in an increasingly complex digital environment.

Strategic Risk

The Bank does not operate in isolation and interacts not only with financial markets. It also deals with the 'real' economy. Accordingly, the Bank is exposed to the strategic risk that every firm faces regardless of the industry in which it operates.

Strategic risk refers to the risk of organisation's earnings and profitability that could arise from strategic decisions, changes in business conditions and improper execution of strategies.

In cascading strategic goals and business objectives, the Bank has established clear communication channels from its top to bottom and vice versa. The Bank has also allocated a significant amount of resources in the operating system, infrastructure, delivery channels and increasing managerial skills.

A formal framework has been introduced to assess strategic risks arising from market trends/ development in competition, product, channel, process, human resources and technology. The Bank's overall strategy has been periodically reviewed by the Board Strategic Planning Committee. The Committee assesses the impact, risk and corrective and remedial action is taken in order to ensure the overall effectiveness of the strategy.

Reputation Risk

Reputational risk arises from damage to the Bank's image among stakeholders due to adverse publicity with regard to business practices and/or management and it could result in loss of revenue or declining of stakeholder confidence in the business. The reputation of the Bank can be perceived as an intangible asset similar to goodwill.

The Bank considers reputational risk as a consequence of a failure to manage its key risks. The Bank is therefore committed to manage reputational risk by promoting strong corporate governance and risk culture at all levels of the organisation, by understanding how different aspects of its business affect stakeholders perception of the organisation through effective communication in the form of timely and accurate financial reports and new bulletins, by maintaining a strong media presence, valuable client service and investor relationships and complying effectively with current laws and regulations.

New Initiatives and Changes During the Year

In pursuit of continuous improvement and in response to the evolving financial landscape, the Bank implemented several key initiatives to strengthen its risk management framework and ensure sustainable growth. These measures aim to enhance resilience, improve risk assessment accuracy, and align with emerging regulatory and sustainability requirements.

During the year,

- The Risk Policies and procedures were reviewed by external auditors, and their recommendations were incorporated to improve governance standards.
- The Bank-Wide Risk Management Policy was updated to include Sustainability Risk, which was also integrated into the Internal Capital Adequacy Assessment Process (ICAAP).
- Significant progress was made in model validation, including the BRR models and the EFA model, which was further enhanced to incorporate sustainability considerations.
- To support business growth, the Delegated Authority limits were increased in a prudent manner.
- Credit hubs have been established to provide a centralised and standardised credit evaluation process. These units, staffed with experienced credit professionals, assess facilities in alignment with the Bank's credit risk framework while ensuring efficient and seamless service delivery.
- The impairment assessment process has been reviewed, and new processes have been introduced to strengthen impairment calculations and the classification process of the Bank. A robust stage upgrading process was adopted for better credit risk management.
- The Bank strengthened its governance structure by establishing the Board Sustainability Committee and the Sustainability Management Committee, reflecting its commitment to ESG principles.
- The Outsourcing Management Committee was formed to oversee third-party risk.

- Personal Data Protection (PDP) Policy was developed alongside the creation of a PDP Management Committee to safeguard customer data and to be compliant with the Act.
- The Compliance system (Compass) was upgraded to ensure adherence to regulatory requirements and mitigate compliance risk.
- Recovery Plan (RCP) is reviewed with new regulatory requirements and present operational environment and provided all required data to CBSL for Resolution Plan.
- The Risk Management Department conducted 32 training programs during the year to strengthen risk awareness and foster a robust risk culture among Bank staff.
- Studied the Climatic Risk event Cyclone Ditwah (the impact is discussed in SLFRS S2 report) in respect to Credit Risk, Operational Risk and Sustainability Risk perspective and adopted risk strategies.

These initiatives collectively reinforce the Bank's proactive approach to risk management, ensuring that it remains resilient, compliant, and aligned with global best practices.

Way Forward in Risk Management for PABC

To ensure a robust and forward-looking risk management framework, the Bank will strengthen existing practices and adopt advanced measures to maintain risks within acceptable levels. Leveraging both top-down and bottom-up approaches, the focus will be on innovation, efficiency, and sustainability to proactively address emerging risks and capitalise on opportunities.

Strategic Priorities

1. Economic Trend Analysis and Sectoral Growth

The Bank will closely monitor macroeconomic indicators and policy developments to anticipate potential risks and opportunities. Enhanced scenario analysis will be deployed to assess the impact of economic and regulatory changes, while tailored strategies will be developed for entering new markets and sectors.

2. Enhanced Risk Monitoring Tools

Investments will be made in advanced risk assessment methodologies and integrated monitoring systems. A comprehensive risk aggregation framework will be introduced to measure total exposure across all business lines, complemented by a robust fraud risk monitoring system embedded within core banking operations.

3. Integration of Social and Environmental Factors

A strong Social and Environmental Management Policy will be implemented, aligned with credit policies and ESG principles. The Bank will reinforce its commitment to the triple bottom line:

People, Planet, and Profit—strengthening sustainability credentials and corporate responsibility.

4. Improved Risk Monitoring Frequency

Risk monitoring will be intensified to detect emerging threats from economic volatility and competitive pressures. Predictive risk measurement tools will be developed to anticipate vulnerabilities and enable timely mitigation.

5. Automated Risk Rating Methodologies

Internal risk rating systems will be fully automated, incorporating additional risk attributes for greater accuracy and consistency. Technology-driven enhancements will improve efficiency and reliability across diverse portfolios.

6. Capacity Building for Frontline Staff

Specialised training programs will be introduced to empower frontline staff as the first line of defence. A culture of proactive risk identification will be fostered, supported by advanced tools and strong employee engagement.

7. Enhanced System Security Measures

Cybersecurity frameworks will be strengthened through regular updates and rigorous testing of security protocols. Incident response mechanisms will be enhanced to ensure swift and effective resolution of potential breaches.

By prioritising innovation, sustainability, and human capital development, the Bank aims to build a resilient and dynamic risk management ecosystem. These initiatives will enable PABC to navigate uncertainties, maintain regulatory compliance, and sustain a competitive edge in an evolving financial landscape.

CLIMATE-RELATED FINANCIAL DISCLOSURES

This report provides a complete set of climate-related financial disclosures for Pan Asia Banking Corporation PLC for the year ended 31st December 2025. These disclosures have been prepared in accordance with SLFRS sustainability disclosure standard as issued by the Institute of Chartered Accountants of Sri Lanka.

As this is the Bank's first year applying the SLFRS Sustainability Disclosure Standards, the Bank has chosen:

- To apply transitional relief that permits the Bank to disclose in the first year of reporting information on only climate-related risks and opportunities
- Not to disclose comparative information about the Bank's climate- related risks and opportunities in this report
- Not to discloses scope 3 greenhouse gas emissions of the Bank
- Not to disclose information about the resilience of the Bank's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the Bank's identified climate-related risks and opportunities
- Not to disclose quantitative information regarding anticipated effects of the climate-related risks and opportunities

Governance

Overview

Sustainability continues to be a central pillar of Pan Asia Bank's long term vision, shaping how we conduct responsible banking, manage risk, and build strong relationships with our stakeholders. We understand that sustainable value creation relies on our ability to serve customers, employees, shareholders, and communities responsibly, while reducing our environmental impact and supporting broader social environmental progress.

Our Sustainability Governance Framework provides the foundation for sound oversight and ensures consistency with national development priorities and recognised global sustainability practices. Through this framework, the Bank integrates Environmental, Social, and Governance (ESG) factors—including climate-related risks and opportunities—into core decision making processes across all business functions.

The Bank's sustainability agenda is overseen by a dedicated governance structure anchored at the Board level, with the Board Sustainability Committee (BSC) playing a key leadership role.

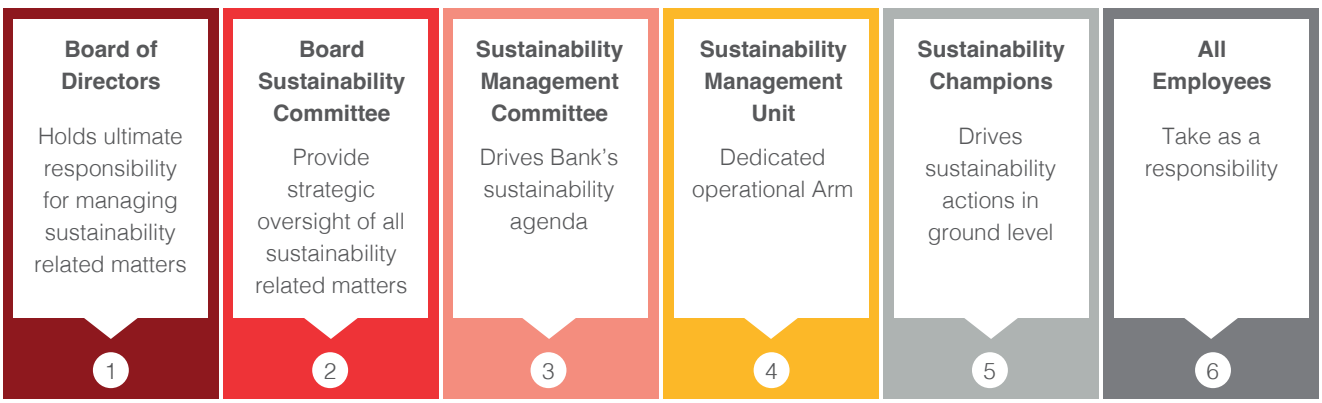
The BSC is responsible for ensuring that sustainability principles are woven into operational strategies, enabling the Bank to strengthen resilience, safeguard long term performance, and generate value for shareholders.

As we look to the future, Pan Asia Bank remains committed to continuously enhancing its sustainability outcomes. Priority areas include setting and tracking measurable goals, improving disclosure practices, and engaging more closely with stakeholders to address climate-related risks and opportunities (CRROs). Through these efforts, the Bank strives to contribute to national development ambitions while supporting stable, sustainable growth.

Board Oversight on Climate-related Risks and Opportunities

The Board of Directors carries the highest level of accountability for overseeing climate-related and broader sustainability risks. To support this responsibility, the Bank has established the Board Sustainability Committee (BSC), which plays an advisory and supervisory role in evaluating both risks and emerging opportunities in this space. Through this governance structure, sustainability considerations are systematically incorporated into strategic planning and risk management processes, helping ensure the Bank's long term strength and resilience.

Governance Structure



CLIMATE-RELATED FINANCIAL DISCLOSURES

The Bank has established a robust and clearly defined governance structure that outlines responsibilities at every level, ensuring strong accountability for climate and sustainability initiatives. This framework promotes consistent oversight and supports effective decision making across the organisation. Every employee is encouraged to actively participate in advancing the Bank's sustainability agenda, fostering a culture where environmental stewardship and responsible business practices are shared commitments.

Dedicated Board Sustainability Committee

To ensure strong governance and strategic oversight of the Bank's sustainability agenda, the Board has established a Board Sustainability Committee (BSC) under a formal Charter approved by the Board. The Charter outlines the Committee's mandate, including responsibilities relating to sustainability governance, climate related risks and opportunities, environmental stewardship, and alignment with evolving regulatory expectations.

Details of the Committee's composition are presented in the BSC Report under the Corporate Governance section on page 202.

Profiles of the Committee members, including their qualifications and experience, appear under the Board of Directors' Profiles on pages 110 to 117.

Roles and Responsibilities of the Board Sustainability Committee

The BSC Charter provides a comprehensive outline of the Committee's duties, ensuring a clear and transparent approach to sustainability governance. These responsibilities—detailed in the BSC Report on page 202 include:

- Guiding the integration of sustainability and climate related considerations into the Bank's strategic planning;
- Monitoring the Bank's performance on key ESG indicators;
- Reviewing the Bank's climate risk management frameworks and ensuring alignment with SLFRS S2;
- Providing oversight for the development of sustainability related policies, initiatives, and action plans;
- Ensuring compliance with relevant regulatory requirements and industry best practices;
- Overseeing the Bank's sustainability and climate related reporting and disclosures.

Through these responsibilities, the BSC ensures that sustainability considerations are embedded across the Bank's strategic and operational decision making processes.

Skills and Competencies for Oversight

The qualifications and experience of the Committee members—outlined on pages 110 to 117 demonstrate the depth of expertise required for effective governance over sustainability and climate related matters.

To maintain a high level of capability, the Committee has adopted a structured process for evaluating and enhancing its expertise. The BSC will conduct a biannual assessment of its competency requirements by reviewing:

- Emerging regulatory developments in sustainability and climate risk;
- Advances in climate risk assessment methodologies;
- Evolving expectations around sustainable finance;
- The Bank's strategic priorities relating to sustainability and climate resilience.

Based on these assessments, the Committee will identify skill gaps and recommend targeted actions such as:

- Specialised training for Directors on sustainability, climate risk management, and climate strategy;
- Briefings by external experts;
- Participation in industry forums and technical capacity building programs.

Strengthening Internal Capability

Recognising the expanding scope of sustainability and climate-related expectations, the Bank continues to invest in strengthening its internal capabilities. This includes:

- Upskilling senior management teams on sustainability, climate strategy, and ESG regulatory developments;
- Recruiting personnel with targeted expertise in environmental risk modelling, sustainability management, and climate-related analytics

In line with its commitment to deepen internal expertise, the Bank has recruited qualified sustainability professionals to reinforce its environmental and climate-related competencies and strengthen the execution of its sustainability initiatives.

Meeting Frequency and Reporting

As detailed in the Board Sustainability Committee Report on page 202 of this Annual Report, the Committee convenes quarterly and provides its deliberations, observations, and recommendations to the full Board for consideration and approval. Minutes of each meeting are circulated to all Board members to facilitate review, feedback, and informed decision making.

The Board conducts periodic assessments of the Committee's performance, objectives, and responsibilities to ensure its continued effectiveness and alignment with the Bank's evolving sustainability priorities. In addition, key decisions and actions arising from the Committee's proceedings are communicated to the Sustainability Management Committee to enable the effective implementation of sustainability initiatives and the execution of related operational activities.

Commitment to Robust Governance

Through continuous learning, biannual capability assessments, and strategic talent deployment, the BSC ensures it maintains the expertise required to guide the Bank's sustainability initiatives and climate-related strategies. This approach enables the Bank to uphold robust governance in line with SLFRS S2 expectations while strengthening long term resilience and responsible growth.

Integration into Operational Framework

The Board Sustainability Committee (BSC) plays a central role in shaping the Bank's long term strategic direction by overseeing climate-related and broader sustainability matters that could influence strategic outcomes. Through established coordination mechanisms—most notably the involvement of Sustainability Management Committee representatives in the Board Strategic Planning Committee—sustainability considerations are systematically integrated into strategic discussions. This ensures that material climate-related risks and opportunities are consistently identified, evaluated, and communicated for incorporation into the Bank's business strategy during the planning phase. Where specialised expertise is required, the BSC provides guidance, constructive challenge, and escalation support to enable informed and effective decision making by the Strategic Planning Committee.

To embed climate considerations across day-to-day operations, the Bank provides targeted training and periodic updates to employees—particularly those involved in lending, credit appraisal, and large transaction reviews—on emerging ESG related risks. In addition, expert input from the Bank's sustainability specialists and agriculture sector professionals is sought when evaluating climate sensitive or high risk lending proposals, enabling more robust assessment and risk differentiation.

As part of its oversight mandate, the BSC assesses whether major business initiatives, new product proposals, capital deployment decisions, and long term planning adequately reflect both physical and transition climate risks, as well as the potential in sustainable and green financing.

The Committee receives structured climate-related submissions, which include:

- Progress reports on the Bank's sustainability strategy, highlighting significant climate-related developments
- Periodic reviews of climate and sustainability activities across business units, including climate risk assessments and mitigation measures

Insights generated through these reviews feed into ongoing policy enhancements, risk management refinements, and strategic deliberations. This structured and iterative approach ensures that climate-related risks and opportunities are consistently embedded within the Bank's overall strategy, major transactions, and daily risk oversight processes.

Target Setting

As climate-related risk management continues to evolve within the banking sector, the Bank has commenced the foundational work required to establish a structured and forward looking approach to climate-related target setting. During the year, the Bank focused on strengthening its governance arrangements, enhancing internal capabilities, and upgrading data systems to support future monitoring and reporting requirements.

Key initiatives undertaken included expanding internal technical capacity through the recruitment of experienced sustainability professionals and improving the effectiveness of the Management Committee in overseeing climate-related matters. Parallel to these efforts, the Bank progressed the formalisation of the Board Sustainability Committee (BSC) as a sub committee of the main Board, further reinforcing governance oversight.

The Bank's Risk Department also maintained a Climate Risk Register, serving as an internal analytical tool to identify operational areas and branches that may be exposed to climate-related vulnerabilities. Using aggregated data from the past three years, the Register highlighted one branch that required immediate management attention due to elevated exposure to climate-related risks during the year. Insights generated through this analysis will form the basis for developing a comprehensive Climate Impact Framework covering both operational and business activities, with a focus on adaptation and mitigation priorities.

The Bank is currently evaluating the feasibility and scope of establishing appropriate climate-related targets in line with emerging regulatory expectations and sectoral practices. These ongoing efforts will enable the Bank to define, monitor, and transparently report on climate-related

targets as regulatory guidance and data maturity continue to advance.

Management Role of Climate-Related Risks and Opportunities

The Board's oversight of climate-related risks and opportunities is supported by a structured and clearly defined management framework. Corporate Management, led by the Director/Chief Executive Officer (CEO), is responsible for executing the Bank's climate strategy, ensuring the day-to-day management of climate-related risks, and advancing sustainability initiatives across the organisation.

Central to this governance structure is the Sustainability Management Committee, which serves as the primary management level forum for coordinating and monitoring climate and broader sustainability matters. The Committee is chaired by the Director/CEO and convenes quarterly, ensuring direct oversight by Corporate Management and alignment with the Bank's overall business strategy.

The Committee is comprised of a cross-functional group of senior executives who bring diverse perspectives and expertise to the Bank's decision-making and governance processes. The Committee is chaired by the Chief Executive Officer and includes Chief Financial Officer, Chief Risk Officer, Assistant General Manager I – Branch Credit, Assistant General Manager – Operations and Administration, Assistant General Manager – Human Resources, Chief Manager – Marketing, Senior Manager I – Development Banking & Sustainability Management Unit, and Manager – Treasury Front Office.

This composition ensures robust oversight across financial management, risk governance, credit administration, operations, human resources, marketing, sustainability, and treasury functions. The collective expertise of the Committee supports informed deliberation, effective policy formulation, and alignment with the Bank's strategic objectives.

To ensure effective coordination and integration, management has established structured oversight controls that operate through the Sustainability Management Committee. These controls facilitate cross functional collaboration and embed climate-related responsibilities within existing departmental processes. Strategic guidance received from the Board Sustainability Committee (BSC) is translated into operational actions through Committee members, who are responsible for incorporating sustainability and climate risk considerations into the day-to-day operations of their respective functions.

To ensure effective coordination and integration, management has established structured oversight controls that operate through the Sustainability Management Committee. These controls facilitate cross functional collaboration and embed climate-related responsibilities within existing departmental processes. Strategic guidance received from the Board Sustainability Committee (BSC) is translated into operational actions through Committee members, who are responsible for incorporating sustainability and climate risk considerations into the day-to-day operations of their respective functions.

Each Committee member is accountable for delivering assigned climate-related initiatives, tracking progress, and ensuring that departmental decision making and resource allocation remain consistent with the Bank's overarching Environmental, Social, and Governance (ESG) priorities. This approach reinforces organisational alignment, enhances accountability, and supports the Bank's journey toward a more resilient and sustainable operating model.

Strategy

Overview

Pan Asia Bank's sustainability strategy is anchored in its core Environmental, Social, and Governance (ESG) pillars—Planet Protected, People First, and Principles Guided. These pillars steer the Bank toward responsible growth, proactive risk management, and the creation of measurable long term value.

The Bank's strategic priorities are closely aligned with national and global sustainability frameworks, including the United Nations Sustainable Development Goals (UN SDGs), Sri Lanka's Nationally Determined Contributions (NDCs), the Sri Lanka Sustainable Finance Roadmap 2.0, and the Central Bank's Green Finance Taxonomy Guidelines. These commitments shape the Bank's efforts to support a low carbon transition, enhance disclosure and transparency, promote innovation through digital technologies, strengthen social impact, and uphold high governance standards.

Given Sri Lanka's heightened sensitivity to climate-related impacts and the increasing regulatory emphasis on climate risk management, the Bank places strong emphasis on enhancing climate resilience. This includes developing a deeper understanding of climate-related risks and opportunities across both its operational footprint and business activities, ensuring that resilience remains a central component of long term strategic planning.

Materiality Assessment of Climate Related Risks and Opportunities

Pan Asia Bank operates within an environment influenced by rapid changes in economic conditions, regulatory expectations, societal needs, and environmental pressures. To remain resilient and forward looking, the Bank initiated a comprehensive assessment

to evaluate-climate related risks and opportunities across its value chain. This value chain mapping allowed the Bank to identify where climate impacts—including both risks and opportunities—may arise across its operations, products, and services.

The assessment was carried out by a cross functional team comprising members of the Sustainability Management Committee and their respective teams, ensuring access to deep subject matter expertise. Their evaluation considered both financial and non financial dimensions, examining the likelihood and potential impact of each identified factor. Within the scope of the assessment conducted, transition risks were not identified as material, while selected physical risks and opportunities were noted as areas requiring continued monitoring and management.

The Bank recognises that materiality is dynamic. Accordingly, the climate-related materiality assessment will be conducted annually, and classifications may evolve in response to changing regulatory expectations, market conditions, and the Bank's strategic priorities. The results of the exercise, along with the identified material risks and opportunities, will be presented to the Board Sustainability Committee (BSC) in March 2026 for review, approval, and guidance on next steps.

Value Chain Stages and Considered Climate-Linked Risks & Opportunities aspects

Value Chain Segment	Activities	Considered Climate-Related Risks & Opportunities aspects
Upstream	Customer Acquisition & Onboarding; Deposits & Payments	Risks and opportunities arising from the Bank's ability to attract climate-conscious customers, secure sustainable deposits, and access capital aligned with green finance trends.
Operational	Investment & Treasury; Bank Infrastructure & Facilities; Human Capital & Culture; Risk, Compliance & Governance; Information & Cyber Technology; Procurement & Vendor Management; Finance & Capital Management	Risks and opportunities linked to internal systems, processes, infrastructure, and people. This includes operational resilience to climate impacts, transitioning investments to low-carbon portfolios, adopting energy-efficient facilities, ensuring climate-aligned governance, and strengthening supply chain sustainability.
Downstream	Customer Service, Post Disbursement Supervision, Governance Adherence, Branch Network Supervision & Management	Risks and opportunities associated with lending practices, credit exposure to climate-sensitive sectors, distribution of banking services, and post-service customer engagement - particularly as clients transition to greener business models.

Climate-related Risks and Opportunities that could reasonably be expected to affect impact on prospects

The Bank considers what the impact of climate change might be over the following three-time horizons.

Short	1- 5 Years
Medium	5-10 Years
Long	10+ Years

Physical Risks

Risk Type	Impact on the Bank	Time Horizon		
		Short	Medium	Long
Acute (Extreme Events) including floods, storms, drought, landslide	CR 1: Operational Disruption: Damage to branches, and digital touch points	✓	✓	
	CR 2: Collateral Depreciation: Decline in value of property held as collateral in high-risk zones.	✓	✓	
	CR 3: Credit Risk: Borrowers default due to property damage or business interruption.	✓	✓	✓

CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk Type	Impact on the Bank	Time Horizon		
		Short	Medium	Long
Chronic (Long-term Shifts) Rising sea level, Rising Temperature etc.	CR 4: Credit Risk: Decline in profitability of clients in vulnerable sectors and associated sectors (agriculture, tourism, fisheries).		✓	✓

Opportunities

Impact on the Bank	Time Horizon		
	Short	Medium	Long
CO 1: Stable, cheaper long-term power through renewable energy adoptions.	✓	✓	
CO 2: New revenue from green products such as green deposits, green loans, sustainability-linked bonds, ESG funds and supporting customer's transition to low carbon and climate resilient	✓	✓	
CO 3: Enhance financial inclusion in climate-affected areas through digital access		✓	
CO 4: Access to green finance Investments and Improved brand reputation	✓	✓	✓

Current and Anticipated Effects - Business Model and Value Chain

The Bank carried out a structured assessment of how climate-related risks and opportunities are currently influencing, and are expected to influence, its business model and value chain. This evaluation considered both transition risks—such as policy shifts, market changes, technology developments and evolving customer expectations—and physical risks, including acute and chronic climate impacts. The assessment spanned short, medium and long term time horizons, ensuring alignment with the Bank's strategic planning cycle and risk management frameworks.

This analysis also examined the potential implications for key segments of the Bank's value chain, including credit origination, deposit mobilisation, branch operations, capital allocation, digital infrastructure, supply chain relationships and customer engagement mechanisms. The objective was to understand how climate-related drivers could affect revenue streams, operational resilience, cost structures and long term value creation.

The tables that follow provide a summary of the current impacts observed during the reporting period and the anticipated effects that may influence the Bank's business model and value chain as climate-related developments continue to evolve.

Type of Risk	Item (What it relates to)	Current Effects	Anticipated Effects	Potential Strategy / Decision Implications
CR 1 — Physical (Acute)	Operational disruption to branches & digital touchpoints (floods, storms, landslides)	Temporary service interruptions and localised branch/ATM closures reported during extreme events; business continuity procedures activated as needed.	ST: Episodic disruption and remediation costs. MT: Select sites may require resilience enhancements or relocation. LT: Physical footprint may shift toward lower risk areas with greater digital penetration	Location risk mapping, and redundancy for critical digital channels may be prioritised; vendor agreements may emphasise disaster recovery.

Type of Risk	Item (What it relates to)	Current Effects	Anticipated Effects	Potential Strategy / Decision Implications
CR 2 — Physical (Acute)	Collateral depreciation in high risk zones (mortgages/SME property)	Valuation of volatility in properties located in areas with recent extreme weather events; increased reliance on insurance availability and coverage terms.	ST: Localised increases in loss given default (LGD) following events. MT: Wider geographic differentiation in pricing and collateral valuation Adjustments. MT: Gradual reduction of secured exposure in repeatedly affected regions.	Efforts to sustain ESG – controlled operations and portfolios (e.g.: Product pricing and collateral policies may differentiate by location and hazard profile; reliance on third party insurance.)
CR 3 — Physical (Acute)	Credit risk from borrower disruption (property damage/business interruption)	Higher arrears incidence observed in pockets exposed to severe weather; temporary cashflow stress in SMEs and affected households.	MT: Migration of exposures to higher stages in sensitive subsectors/areas. LT: Potential concentration risk in undiversified local economies subject to recurring events.	Credit underwriting and monitoring may incorporate event triggered reviews, differentiated covenants and pricing for higher exposure segments
CR 4 — Physical (Chronic)	Profitability pressure in vulnerable sectors (agriculture, tourism, fisheries)	Margin pressure noted in certain subsegments linked to heat stress, water scarcity, or coastal erosion; variability in borrower cash flows	LT: Progressive decline in the risk adjusted performance of specific activities LT: client engagement may evolve toward adaptation/resilience solutions and lower risk activities.	Portfolio mix, and potential portfolio weighting towards more resilient business models and crops/sectors.
CO 1 — Opportunity	Stable, potentially cheaper power via renewable adoption (branches, data centers, offices)	Energy cost variability noted; early indications suggest efficiency and renewable sourcing can temper volatility.	ST–MT: Operating expense intensity may decline where renewable sourcing and efficiency retrofits are feasible.	Facility upgrades with renewables, and energy efficient efforts may widen.
CO 2 — Opportunity	New revenue from green products (green deposits/loans, SLLs, ESG funds, sustainability linked bonds)	Rising client interest on specific loan products.	ST: Increased volumes in energy efficiency/ renewables. MT: More income opportunities associated with adaptation and mitigation projects.	Product development, taxonomy alignment, and data/verification processes may scale to support labelled growth while mitigating greenwashing risk. A considerable portion of our lending and investment products will be linked to specific performance targets

CLIMATE-RELATED FINANCIAL DISCLOSURES

Type of Risk	Item (What it relates to)	Current Effects	Anticipated Effects	Potential Strategy / Decision Implications
CO 3 — Opportunity	Financial inclusion via digital in climate affected areas	Digital transactions and remote onboarding supported continuity of access during weather related disruptions	MT: Deeper penetration in underserved, climate affected communities; transactional resilience may improve during adverse events	Product design and distribution may focus on low bandwidth features, and risk sensitive fee structures
CO 4 — Opportunity	Access to green finance & brand effects (funding diversification, reputation)	Growing engagement from ESG sensitive investors; indications of appetite for labelled instruments	ST–MT: Potentially broader investor base and differentiated pricing for labelled liabilities. LT: Business value may benefit from sustained transparency and climate positioning.	Funding plans may incorporate labelled issuance; investor information needs may drive enhanced disclosures

Operational Disruption – Impacts of Climate-Related Physical Risks

Sri Lanka continued to face heightened exposure to physical climate risks, which intensified in recent years and were significantly underscored by Cyclone Ditwah. The event caused widespread damage across 22 districts, covering regions that collectively contribute nearly 65% of national GDP. The cyclone is estimated to have resulted in economic losses of up to USD 7 billion (approximately 4% of GDP), creating a substantial shock to the country's economic stability and severely affecting key sectors including agriculture, manufacturing, tourism, and transportation.

During 2025, the extreme weather conditions caused notable disruption to Pan Asia Bank's operations in several locations (CR 1). A total of 11 branches were temporarily closed, while 43 branches operated with limited capacity due to infrastructure constraints, transport interruptions, and safety considerations. The Bank activated its Business Continuity Plans (BCPs) for the three most severely affected branches to ensure uninterrupted service delivery. One branch experienced direct physical damage as a result of flooding. The cyclone also had a significant impact on employees and their households, with 17 staff residences fully affected and 76 partially affected. The Bank prioritised employee safety and continuity of critical functions through a series of recovery measures, including the activation of BCP protocols, restoration of key IT systems in coordination with external service providers, and comprehensive assessments of damaged assets to facilitate a safe and timely return to full operations.

Initial assessments of the Bank's loan portfolio identified approximately Rs. 2.2 billion in exposures that may have been adversely affected by the severe weather conditions (CR 2 & 3). These insights will inform ongoing credit risk reviews, customer engagement efforts, and the Bank's broader climate resilience planning.

Financial Impact of Climate-related Changes

During the year ended 31st December 2025, the Bank evaluated the financial implications arising from climate-related risks. Based on the Bank's current exposure profile and the climate conditions experienced during the reporting period, the direct financial impacts were limited and not considered material. There were no significant increases in operating costs, and the Bank did not observe any notable changes to its financial position, performance, or cash flows attributable directly to climate-related events.

This outcome reflects both the Bank's present risk exposures and the prevailing operating environment. As climate risk dynamics evolve, the Bank will continue strengthening its monitoring and analytical capabilities. Enhancements will include improved data availability, more sophisticated modelling, and deeper analysis of climate risk transmission channels.

While direct financial impacts were minimal during the reporting year, several indirect and anticipated effects were identified:

- Operational Costs

Insurance premiums for branches located in flood prone areas are expected to increase marginally in response to rising climate-related risk perceptions. In addition, the Bank incurred incremental expenditures to reinforce branch infrastructure, upgrade

backup power and connectivity systems, and implement enhanced emergency response protocols aimed at improving operational resilience.

- Credit Risk

Borrowers in regions affected by severe weather experienced short term operational disruptions, resulting in temporary repayment delays and limited rescheduling of facilities. Although no material impairment was recognised, the Bank increased its monitoring of exposures in climate sensitive sectors, including agriculture, tourism, and fisheries, to proactively manage emerging risks.

- Impact on Customer Collaterals

Properties pledged as collateral in flood plains—such as the Kelani, Kalu, Gin, and Mahaweli river basins—and in landslide prone districts including Kandy, Nuwara Eliya, Badulla, Ratnapura, and Kegalle were assessed for potential vulnerability to climate events. A number of properties in severely impacted locations required re inspection and modest valuation adjustments. However, the overall effect on collateral adequacy remained immaterial. Going forward, the Bank plans to incorporate strengthened valuation checks and climate stress testing to ensure collateral resilience under adverse scenarios.

- Liquidity

The Bank did not experience liquidity pressure during climate related events. Nonetheless, contingency funding plans were reviewed and stress tested to ensure the Bank remains resilient to potential spikes in withdrawals or access disruptions during future extreme weather incidents.

- Sectoral Sensitivity

Irregular rainfall patterns, localised flooding, and slope failures contributed to disruptions in agricultural supply chains and tourism activities. These conditions affected borrower cash flows in certain pockets of the portfolio, underscoring the importance of sector specific climate risk monitoring and adaptive credit risk management.

Summary of Current Financial Impact of Climate-Related Changes (2025)

Impact Area	Key Observations (2025)
Operational Costs	• Insurance premiums for branches in flood prone areas increased slightly. • Additional spending on preventive measures such as strengthening branch structures, installing backup power, and enhancing emergency response procedures.
Credit Risk	• Some borrowers in flood-affected regions faced temporary business interruptions, causing short repayment delays and limited rescheduling. • No significant impairment recognised. • Enhanced monitoring of agriculture, tourism, and fisheries sectors. • Environmental risk screening strengthened for new lending, especially in areas affected by flooding and landslides.
Customer Collateral Impact	• Collateral properties in flood plains and land slide prone districts identified as having heightened vulnerability. • Some severely affected assets required reinspection and valuation reviews. • Overall impact on collateral adequacy remained immaterial. • Bank to implement enhanced valuation checks and stress testing.
Liquidity	• No liquidity stress reported during climate events. • Contingency funding plans reviewed and tested for extreme weather-related withdrawals.
Sectoral Sensitivity	• Erratic rainfall, floods, and slope failures disrupted agriculture and tourism sectors. • Borrower cash flows and repayment capacity in these sectors were moderately affected.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate - Related Financial Impact- 2025 (Qualitative Heat Map)

Operational Costs	Low
Credit Risk	Low
Customer Collateral Impact	Low
Liquidity	None
Sectoral Sensitivity	Low

Impact Magnitude (2025)

Planning and Significant Risk of Material Adjustments in 2026

The Bank has identified climate-related risks that may influence asset valuations and provisioning requirements; however, based on current assessments, these risks are not expected to result in material adjustments in the next financial year.

- Collateral Depreciation: Properties pledged as collateral and situated in areas vulnerable to flooding or landslides may face downward valuation pressure. At present, the Bank's exposure to such assets remains limited, and any impact on collateral coverage or loan to value ratios is expected to be immaterial.
- Credit Losses: Clients operating in sectors affected by climate-related physical or transition pressures could encounter operational setbacks or margin compression, which may influence expected credit loss (ECL) outcomes. Current portfolio composition and risk mitigation practices suggest that any resulting adjustments are unlikely to be significant.
- Regulatory and Compliance Costs: The Bank anticipates incremental efforts relating to climate risk reporting, scenario assessments, and alignment with emerging disclosure requirements under SLFRS S1 and S2. These activities may elevate compliance related expenses, though they are expected to remain within controllable and budgeted thresholds.
- Systemic Risk: Climate driven disruptions may have indirect effects on macroeconomic conditions, potentially influencing interest rate movements or liquidity trends. The Bank's strong liquidity buffers and capital strength are expected to limit the financial impact of such systemic developments.

Anticipated Financial Effects (Qualitative)

Short Term

- Increased compliance costs for climate-related disclosures, scenario analysis, and internal capacity building.
- Higher operational expenses for resilience measures such as branch reinforcement, flood protection systems, and IT infrastructure upgrades to ensure business continuity.
- Potential short-term liquidity pressures during extreme weather events require activation of contingency funding plans.
- Potential increase in credit risk provisions for sectors vulnerable to climate change, particularly agriculture and tourism

Medium Term

- Potential increase in credit risk provisions for sectors vulnerable to climate change, particularly agriculture and tourism.
- Moderate impact on profitability due to higher insurance premiums, adaptation costs, and potential regulatory penalties for non-compliance.
- Possible repricing of loans to incorporate climate risk premiums, affecting lending margins.
- Increased capital allocation for risk mitigation measures such as enhanced collateral management and scenario-based stress testing.

Long Term

- Strategic reallocation of lending portfolios towards low-carbon and climate-resilient sectors, reducing exposure to high-emission industries.
- Opportunities for revenue growth through green financing products, sustainability-linked loans, and ESG investment funds, partially offsetting risk-related costs.
- Potential capital expenditure for climate adaptation initiatives, including energy-efficient infrastructure and renewable energy adoption.
- Systemic economic impacts from climate change could influence overall credit demand and repayment capacity, requiring dynamic portfolio adjustments.

Strategy and decision making – Transitional Plan

The Bank's Sustainability Strategy provides a unified framework that reflects both global best practices and national development priorities. It guides the organisation in creating long term value for stakeholders while carefully managing environmental and social impacts.

Our approach demonstrates a strong commitment to responsible banking, sound governance, and inclusive economic progress. Sustainability considerations are embedded across our business model, strengthening innovation, transparency, and accountability in everything we do.

The Strategy is anchored on three core pillars, each supported by defined objectives and targeted initiatives:

- Planet Protected (Environment) – advancing environmental stewardship, resource efficiency, and climate resilience.
- People First (Social) – fostering inclusive growth, employee wellbeing, and meaningful community impact.
- Principles Guided (Governance) – upholding ethical conduct, strong governance practices, and responsible business behaviour.

In 2025, the Bank formulated a comprehensive sustainability strategy, integrating targeted initiatives to effectively address the climate-related risks and opportunities identified through our assessment process. This forward-looking strategic guideline reflects our commitment to resilience, responsible growth, and long-term value creation. Implementation of these initiatives will commence in 2026

The Bank does not currently have a formal climate transition plan in place. However, work is underway to develop a comprehensive transition plan for future reporting periods considering the climate risks and opportunities, current and anticipated effects on the business model and value chain from those climate risks and opportunities highlighting transition objectives and key focuses as below.

In 2025, sustainability related activities were supported through the budgets of several departments—including risk, marketing, and HR—in line with the Bank's decentralised approach, as sustainability responsibilities were embedded across functions rather than managed by a separate unit. With the establishment of a more structured sustainability framework, the Bank plans to introduce a dedicated sustainability budget from 2026 onwards.

Risk Management

Overview

Climate change continues to reshape economic systems, financial markets, and business models globally. The transition toward low carbon energy, cleaner industrial processes, and greater efficiency across the built environment is expected to demand substantial investment over the coming decades. Sri Lanka has estimated that achieving net zero emissions will require around USD 100 billion in cumulative funding, or approximately USD 4 billion annually until 2050, equivalent to nearly 5% of the nation's 2022 GDP. In this evolving landscape, financial institutions—particularly banks—serve a critical enabling role by directing capital toward climate resilient and sustainable economic activity.

The Bank recognises that effectively managing climate-related risks and opportunities (CRROs) is essential to safeguarding long term financial stability and supporting national transition priorities. CRROs arise from a range of environmental developments, including shifting rainfall patterns, rising temperatures, and the growing frequency of severe weather events, all of which can influence credit quality, operational continuity, and market conditions.

As these risks continue to develop at pace, the Bank remains committed to continuous monitoring, early warning mechanisms, and agile response frameworks. Through disciplined risk assessment and proactive management practices, Pan Asia Bank aims to address emerging climate-related exposures while positioning itself to support sustainable growth across the economy.

Overall Risk Management Framework



The Bank's ESG risk management framework is designed to identify, assess, prioritise, monitor, and mitigate risks across the bank. Climate-related risks are embedded within this framework to ensure climatic implications are considered and integrated with overall risk management process of the Bank.

The framework aligns with regulatory expectations and best international practices, integrating climate risk into strategic planning, capital adequacy assessments, and business continuity planning of the Bank. It is incorporated into the Bank-wide Risk Management Policy, with provisions for ongoing enhancements to address emerging climate challenges.

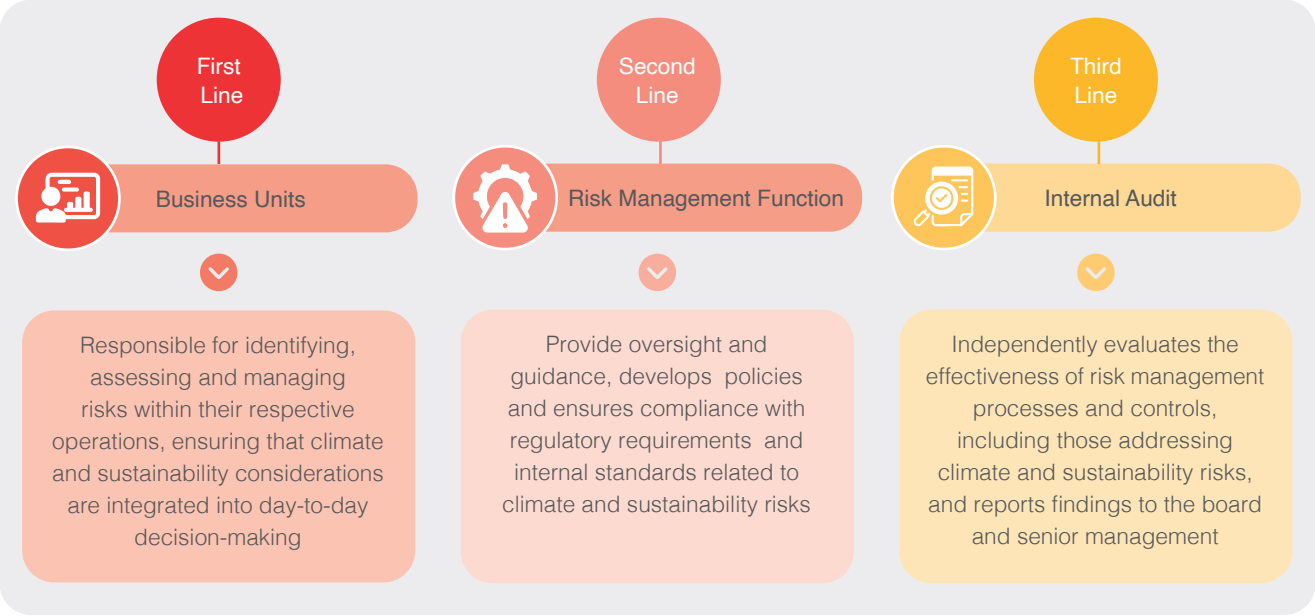
Risk Process

The Bank follows a structured process to manage climate-related risks, ensuring timely identification, assessment, prioritisation, and monitoring. This process is continuously refined to address emerging challenges.

CLIMATE-RELATED FINANCIAL DISCLOSURES

- Identification

Identifies risks through a structured process that combines both top-down and bottom-up approaches:



Risk identification and Governance – three-line defence

Pan Asia Bank adopts the Three Lines of Defence model to ensures clear accountability, transparency, and alignment with best practices, enabling Pan Asia Bank to proactively manage emerging risks and opportunities

Top-Down: Led by the Board and its subcommittees to identify emerging risks impacting strategy and long-term sustainability.

Bottom-Up: Business Units and Branch Heads escalate risks to the Risk Management Unit / Sustainability Management Committee for review.

- Assessment

A structured, data-driven approach was conducted to assess climate-related risks, where the assessment process considered the Bank's activities holistically, including relationships across its value chain. The process involved direct observations, incident reviews, analysis of practical climate linked operational disruptions, and data gathered through stakeholder discussions and consultations. The assessment enabled the Bank to identify the risks related to the Bank's prospects. Further, these risks are prioritised using a structured risk prioritisation matrix.

For climate-related risks: Inputs and Parameters were used to support risk prioritisation frameworks and business continuity plan, where mainly internal data, regulatory guidelines, and stakeholder feedback were considered, while external climate databases used to strengthen the decisions. These Inputs, which support the processes used to identify, assess, and prioritise climate-related risks, include Internal data such as information from credit risk systems, financial reporting, and operational risk registers, as well as External Inputs that include regulatory benchmarks, macroeconomic indicators, climate data, and social trends. These combined Inputs and Parameters inform the Bank's assessment of climate-related physical and transition risks and support integration of climate considerations into the broader risk management framework.

The Bank intends to enhance its climate risk assessment approach in future by incorporating additional methodologies, including:

- Sector and geography specific risk assessments
- Structured 'What If' assessments/ Scenario analysis, forecast based incident analysis, and data driven impact analysis

These enhancements will support a more robust and forward-looking evaluation of climate-related physical and transition risks.

- Prioritisation

The Bank applies a structured and transparent approach in prioritising climate-related risks within the Bank. This process evaluates each identified climate risk based on two dimensions: likelihood and impact, incorporating relevant time horizons and strategic considerations.

a) Likelihood Assessment

Likelihood is determined using four criteria that reflect the relevance and immediacy of climate-related risk drivers

- Materiality- Financial and operational significance of the risk
- Regulatory Requirements - Alignment with local and international standards.
- Stakeholder Impact- Implications for customers, employees, and investors.
- Time Horizon – Short term, medium term and long term

Each criterion is assessed under 1-5 scale, and the overall likelihood score is derived as the average of these four metrics.

b) Impact Assessment

Impact is assessed through four components and seven subcomponents reflecting the potential financial consequences of climate-related risks:

- Financial Performance
- Financial Position
- Cash Flows
- Cost of Capital

Each subcomponent is assigned a score within 1-5 scale based on expected severity, and the total impact score is calculated by summing these individual assessments.

c) Final Prioritisation Rating

The final prioritisation rating for each climate risk is calculated as:

Final Risk Rating = Likelihood × Total Impact Score

4. Risk Prioritisation Threshold

A minimum threshold of 30 is applied to identify climate-related risks requiring enhanced monitoring, escalation, or further analysis. The risk threshold of 30 was derived using the same calculation method but considering priority values and metrics analysed.

Risks that meet or surpass this threshold are prioritised for immediate action. All remaining risks are assessed and integrated into the strategic planning and risk management processes as appropriate.

Risk identification process and the identified risks and opportunities are escalated to the Sustainability Management Committee while the prioritised risks and opportunities are planned to submit to the BSC during the first quarter 2026 for timely action and resource allocation. This structured approach ensures that climate-related risks receive appropriate attention relative to other enterprise risks, supporting resilience and sustainable value creation.

- Monitoring

The Bank employs a continuous monitoring framework to track climate-related risks, ensuring timely response and compliance with regulatory expectations.

Monitoring mechanisms include:

- Regular Reporting: Periodic updates to the Sustainability Management Committee have been continued throughout the year and related information also being started escalating to the board level with the establishment of the BSC.
- Integration into Key Processes: Climate/Sustainability risk metrics embedded in ICAAP, Economic Factor Adjustment (EFA), and Business Continuity Planning (BCP).
- Risk Data base: Data collection platform for tracking risk indicators and early warning signals.
- Policy Reviews: Regular updates to the Bank-wide Risk Management Policy and Social & Environmental Management Policy (SEMS) to reflect evolving standards.
- Internal Audits & Compliance Checks: Independent reviews to ensure adherence to climate risk governance and reporting frameworks.

This structured approach enables proactive management of emerging risks and supports the Bank's commitment to sustainability and resilience.

Changes in the process

Changes to the Risk Management in 2025

In 2025, Pan Asia Bank strengthened its risk management framework to align with evolving climate challenges. Key initiatives include:

- Integration into ICAAP

Incorporated sustainability risk into the Internal Capital Adequacy Assessment Process (ICAAP) and introduced capital charge calculations for climate/ sustainability-related risks.

- Economic Factor Adjustment (EFA)

Embedded climate risk considerations into the EFA model to better reflect environmental impacts to the impairment process /model.

- Policy Enhancements

Updated the Bank-wide Risk Management Policy to explicitly include sustainability and climate-related risks.

- Business Continuity Planning (BCP)

Improved BCP aligning with ISO 22301 controls to ensure operational resilience during climate-induced events.

Institutionalised Commitments for New Facilities

These changes reflect Pan Asia Bank's commitment to integrating climate considerations into its risk management practices, ensuring resilience and alignment with best practices.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Metrics and Targets

Overview

In today's business landscape, sustainability responsibilities have become essential drivers of organisational success. Measuring and reducing carbon footprints is now critical in addressing climate change. Achieving long-term climate goals requires a clear understanding of current emissions and a strategic plan to lower them through targeted investments and operational improvements. Demonstrating our commitment to sustainability, the Bank initiated the calculation of its Greenhouse Gas (GHG) emissions for Scope 1 and Scope 2 in 2025. Using this baseline data, the Bank aims to set specific targets for reducing its carbon footprint. These details will also be disclosed in future reports.

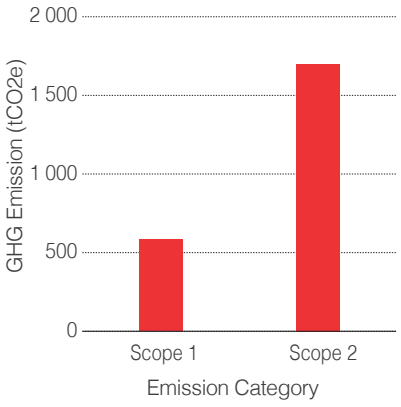
Cross Industry Metrics

Greenhouse Gases :2025 Results

Total Gross GHG Emission Scope 1 **-582.98 tCO_2e**

Total Gross GHG Emission Scope 2 - **1,700.14 tCO_2e**

Organisational GHG Emissions





ClimateSI

CARBON CONSCIOUS CERTIFICATE

Climate Smart Initiatives (Pvt) Ltd assures that GHG Inventory of

Pan Asia Banking Corporation PLC

for the year 2025

has been measured and reported in accordance with the requirements of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)

Certificate No : ClimateSI/MRV/056

Date of Certification : 14. 01. 2026

Period of Assessment : 01. 01. 2025 to 31. 12. 2025

Scope of Certification : Financially controlled business activities belongs to Pan Asia Banking Corporation PLC

Scope 1 Emissions : 583 tonnes of CO_2equivalent

Scope 2 Emissions : 1,701 tonnes of CO_2equivalent

Total : 2,284 tonnes of CO_2equivalent

Eng. H. M. Buddika Hemashantha
(BSc (Hons) Eng., M. Eng.)
Director
Climate Smart Initiatives (Pvt) Ltd

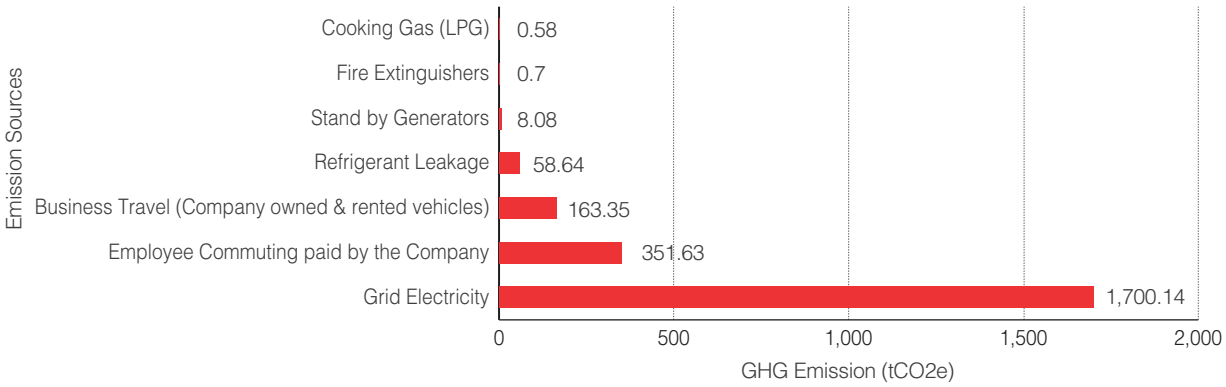
Scope 1 Emissions : Business travel - Company owned and rented vehicles, Stand by generators, Fire extinguishers, Refrigerant leakage, Employee commuting - paid by the company, Cooking gas - LPG consumption

Scope 2 Emissions : Grid electricity

Exclusions : All scope 3 emission sources

Period of validity : 01.01.2026 to 31.12.2026

GHG Emission from Different Sources



Methodology for the calculation of GHG emissions

For the calculation of Scope 1 and Scope 2 greenhouse gas (GHG) emissions, the Bank follows the methodologies outlined in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). Developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), this globally recognised standard provides a consistent and transparent framework for organisations to account for and report their GHG emissions. The Bank applies the financial control approach, under which it assumes responsibility for all direct and indirect emissions arising from operations where it has financial authority. This approach ensures clear accountability for emission-reduction efforts and enables more accurate monitoring of activities the Bank can directly influence. The Bank's Scope 1 and Scope 2 emissions are calculated by Climate Smart Initiative (Private) Ltd., ensuring methodological rigour and independent verification support.

The sources of global warming potential (GWP) values and emission factors used in the calculations are outlined below,

Sources of Emission Factors

Emission Source		Emission Factor and Constant		Reference
		No	Unit	
Diesel (Stationary Combustion)- CO_2		74,100	$kgCO_2/TJ$	https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf
Diesel (Stationary Combustion)- CH4		3	$kgCH_4/TJ$	
Diesel (Stationary Combustion)- N_2O		0.6	kgN_2O/TJ	
LPG (Stationary Combustion)- CO_2		64,200	$kgCO_2/TJ$	
LPG (Stationary Combustion)- CH_4		3	$kgCH_4/TJ$	
LPG (Stationary Combustion)- N_2O		0.6	kgN_2O/TJ	
Diesel (Mobile Combustion)- CO_2		74,100	$kgCO_2/TJ$	https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_3_Ch3_Mobile_Combustion.pdf
Diesel (Mobile Combustion)- CH_4		3.9	$kgCH_4/TJ$	
Diesel (Mobile Combustion)- N_2O		3.9	kgN_2O/TJ	
Petrol (Mobile Combustion)- CO_2		69,300	$kgCO_2/TJ$	
Petrol (Mobile Combustion)- CH_4		33	$kgCH_4/TJ$	
Petrol (Mobile Combustion)- N_2O		3.2	kgN_2O/TJ	
Refrigerant Leakage (R 410A)	CH_2F_2	771	GWP	https://ghgprotocol.org/sites/default/files/2024-08/Global-Warming-Potential-Values%20%28August%202024%29.pdf
	CHF_2CF3	3,740		
Refrigerant Leakage (R 32)	CH_2F_2	771	GWP	https://ghgprotocol.org/sites/default/files/2024-08/Global-Warming-Potential-Values%20%28August%202024%29.pdf
National Grid Emission Factor	0.4173	$kgCO_2e/kWh$		energy-balance-2022.pdf

CLIMATE-RELATED FINANCIAL DISCLOSURES

Scope 1 and 2 emissions are measured by internal data sources, factoring in uncertainty in measurement and data quality.

Scope	Emission Category	Activity	Data Source
Scope 1	Stationary combustion	Quantity of fuel used for stationary energy purposes primarily on generators	Central Accounts of the Bank
	Mobile Combustion	Business travel by company owned and rented vehicles	Central Accounts of the Bank
		Employee commuting (Paid by the company)- Petrol	Central Accounts of the Bank
	Fugitive emissions	Fire Extinguishers	Service Invoices
		Refrigerant Leakages	Service Invoices
		Combustion of Cooking Gas	Central Accounts of the Bank
Scope 2	Purchased Electricity	Use of purchased electricity	Central Accounts of the Bank

Uncertainties

The monthly fuel charges for employee commuting were obtained as activity data. In the absence of information on vehicle types used by employees, it was assumed that all employees travel using petrol powered vehicles. An average annual price of Petrol 92, estimated at Rs. 300 per litre, was applied to convert fuel expenditure into estimated fuel consumption volumes. Based on this conversion, total monthly fuel consumption was calculated in litres. The number of working days per month was assumed to be 20 days, which may introduce variability depending on actual attendance patterns.

For rented vehicles, only total fuel cost data were available for emission calculations. Although the rented fleet comprises 07 diesel vehicles and 03 petrol vehicles, the fuel cost records do not differentiate expenses by fuel type. Consequently, all rented vehicles were conservatively assumed to operate on diesel, which may lead to a slight overestimation or underestimation of emissions depending on actual fuel use distribution.

The equation used to calculate internal emission is,

GHG emissions = Activity X Emission Factors

The Amount and Percentage of Business Activities Vulnerable to Climate-related Risks

Physical risks

- The Bank identified Agriculture & Fisheries and Tourism sectors as vulnerable to climate-related physical risks.
- These sectors represent 15.39% of the Total Loans and Advances Portfolio, amounting to Rs. 33.42 billion as of 31st December 2025. Total Sector Limits assigned for these sectors are maximum 25% in total Loans and Advances portfolio

Transitional Risk - Based on the Bank's loan book composition and the Sri Lankan policy landscape, portfolio exposure to transition sensitive sectors is limited. Transition-related financial effects are therefore assessed as low and the percentage of business activities vulnerable to climate-related transitional risks are not significant as assessed by the Bank.

The amount and percentage of assets or business activities aligned with climate- related opportunities

Total financing allocated for green projects- **Rs.1,154 Million**

Total lending for EV Vehicles- **Rs. 409.25 Million**

Capital expenditure, financing or investment deployed towards climate- related risks and opportunities

Capital Allocation for Sustainability Risk

a. During the ICAAP process, the Bank allocated LKR 12.56 Mn capital for sustainability risk.

b. This allocation was derived using a 10-parameter scorecard.

c. It is equivalent to LKR 100.8 Mn of Risk-Weighted Assets (RWA).

5% weight assigned to Sustainability Risk Factor in Economic Factor Adjustment model in the impairment process.

Internal carbon prices

Currently, the Bank does not incorporate carbon pricing into its decision-making processes. However, recognising the growing importance of climate-related financial risks and opportunities, the Bank intends to integrate carbon pricing into future strategic and operational decisions.

Remuneration

At present, the Bank does not incorporate climate-related factors into its executive remuneration framework. However, the Bank plans to integrate relevant climate-related KPIs into its remuneration policies in future periods.

Industry based Metrics

To identify relevant risks and opportunities along with the relevant disclosure requirements, the Bank has other sources of guidance in addition to SLFRS disclosure standards. The outcomes of these considerations are detailed here.

Guidance	Industries
SASB Standards	Volume B16- Commercial Banks

Topic	Metric	Category	Unit of measure	Comment
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of Environmental, Social, and Governance (ESG) factors in credit analysis	Discussion and Analysis	n/a	Pan Asia Bank incorporates Environmental, Social, and Governance (ESG) factors into credit analysis through its Social and Environmental Management System (SEMS), which is mandatory for facilities with cumulative exposure exceeding Rs. 50 million, excluding certain schematised and temporary facilities. All applications are first screened against the Exclusion List, and any prohibited activities are rejected. For retail loans, only the Exclusion List applies, as the sector has minimal social and environmental impact. SME and corporate loans are assigned an E&S risk rating based on size, sector, and regulatory requirements, with SME loans typically low or medium risk and corporate loans ranging from medium to high risk. Risk assessment verifies compliance with environmental and social regulations, with review depth increasing by risk level: low-risk transactions require basic checks, medium-risk involve document verification and management meetings, and high-risk require detailed checks and site visits. If significant risks cannot be mitigated and the client is unwilling to address them, the loan is declined. Otherwise, covenants may be added, and additional financing considered to improve E&S performance.
Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate				Given the lack of materiality of such information to the Bank's climate-related risk assessment and its commercially sensitive nature, the Bank has not included segment-level loan portfolio disclosures, which are not required under SLFRS S2, in the current report

Climate-related targets

Climate change is a key area of focus for the Bank, and we are progressively enhancing our climate-related metrics and targets in line with a structured implementation approach. In the current reporting period, the Bank prioritised establishing a robust foundation for measurement and management by strengthening governance, improving internal capabilities, and enhancing data readiness to support consistent and decision useful implementation.

As part of this foundation approach, we have initiated programs to better understand and quantify relevant climate-related metrics, including emissions and key operational indicators, and to embed these considerations into appropriate internal processes. This enables the Bank to develop targets that are practical, measurable, and supported by reliable information and clear accountability.

Building on the progress achieved to date, the Bank will continue to expand its climate metrics and introduce appropriate targets over time, aligned to the Bank's planning horizons and the climate-related risks and opportunities that could reasonably be expected to affect the Bank's prospects. This phased approach is designed to ensure that targets and metrics are credible, internally embedded, and capable of supporting effective implementation and monitoring.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Despite the absence of formal targets, the Bank implemented several measures aimed at reducing resource consumption and associated emissions:

Smart Water Management – Urinal Sensor Installation

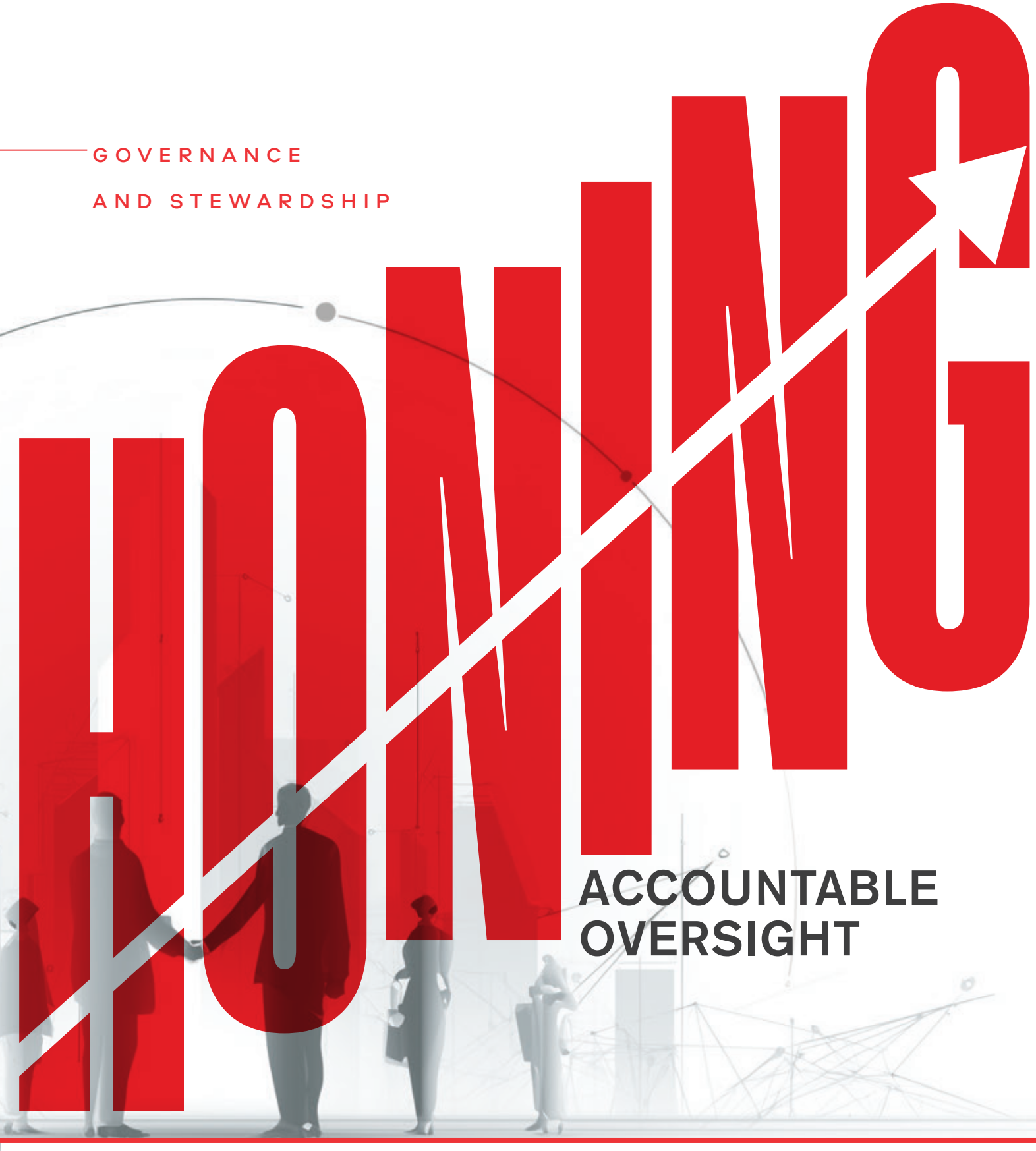
- Nature of Action: Replaced 25 continuous-flush urinals (13 tanks) with infrared sensors.
- Impact:
  - Water Savings: 2,171,520 litres in 2025, representing a 79.5% reduction in urinal flushing water usage.
  - Carbon Reduction:
    - Reduced Pumping Energy: Prevented 513.46 kg of CO_2 emissions by lowering electricity demand for municipal water distribution and internal pumping.
    - Wastewater Treatment Emissions: Reduced nearly 2 million litres of wastewater, lowering methane and nitrous oxide emissions from municipal treatment processes.
    - Embedded Carbon: Minimised emissions associated with chemicals and energy used in potable water treatment.

Energy Efficiency through Branch Transformation

- Nature of Action: Optimised operational footprint for 10 transformed branches, reducing average floor area from 1,500 sq. ft. to 1,000 sq. ft.
- Impact:
  - Annual Energy Savings: 101,100 kWh
  - GHG Reduction: 71.78 tons of CO2 (calculated using SLSEA emission factor of 0.71 kg/kWh).
  - Efficiency Drivers:
    - 33% reduction in floor area lowered HVAC and lighting demand.
    - Improved space utilisation, effectively “right-sizing” the Bank’s environmental footprint.

GOVERNANCE

AND STEWARDSHIP



ACCOUNTABLE OVERSIGHT

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BOARD OF DIRECTORS





1. **ARAVINDA PERERA**
   Chairman
2. **B D A PERERA**
   Deputy Chairman / Senior Independent Director
3. **SANDRA WALGAMA**
   Director
4. **KAWSHI AMARASINGHE**
   Director
5. **MALIK RANASINGHE**
   Director
6. **DHARSHANIE PERERA**
   Director
7. **ASHOKA GOONESEKERE**
   Director
8. **NALEEN EDIRISINGHE**
   Director/
   Chief Executive Officer
9. **NAYANTHA FERNANDO**
   Company Secretary

BOARD OF DIRECTORS

ARAVINDA PERERA
Chairman
Non-Independent, Non-Executive Director

Appointed to the Board on 03rd August 2017
Deputy Chairman from 02nd May 2021
Chairman from 11th August 2023

Committees	
Board Strategic Planning Committee	Chairman
Board Human Resources and Remuneration Committee	Member
Board IT Steering Committee	Member
Board Nominations and Governance Committee	Member
Board Credit Committee	Member

Qualifications
MBA - University of Sri Jayewardenepura
BSc Engineering - University of Moratuwa
Fellow Member - Institute of Bankers of Sri Lanka (FIB)
Fellow Member - Chartered Institute of Management Accountants and Chartered Global Management Accountants (ACMA, CGMA) - United Kingdom

Nature of expertise in relevant functional areas
Business Administration, Engineering, Banking, Accounting

Other Directorships	Listed Entities - 02	
Names of Companies	Director or KMP	Executive/Non-Executive
Royal Ceramics Lanka PLC	Managing Director	Executive
Singer Finance Lanka PLC	Chairman	Non-Executive
	Unlisted Entities - 07	
Names of Companies	Director or KMP	Executive/Non-Executive
Snaps Residencies (Pvt) Ltd	Chairman	Non-Executive
Kosgulana Hydro Company (Pvt) Ltd	Director	Non-Executive
Hayleys Advantis Ltd	Director	Non-Executive
Hayleys Aventura (Pvt) Ltd	Director	Non-Executive
Fentons Ltd	Director	Non-Executive
Rocell Bathware Ltd	Director	Non-Executive
Hayleys Agriculture Holdings Ltd	Director	Non-Executive

The above information is given based on the position as at 31st December 2025.

Profile

Mr. Aravinda Perera counts over 42 years in the banking sector and was the Managing Director of Sampath Bank PLC from 01st January 2012, until his retirement in September 2016. Presently he is the Managing Director of Royal Ceramics Lanka PLC and Chairman of Singer Finance (Lanka) PLC. He is also a former Governing Board Member of the Institute of Bankers of Sri Lanka and Past President of Association of Professional Bankers, Sri Lanka. He is a Member of the Institution of Engineers of Sri Lanka (MIESL).

Mr. Perera was honoured with the 'CEO Leadership Achievement Award 2016' by the Asian Banker and was also the recipient of the prestigious 'Platinum Honours - 2014' award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayewardenepura University. He was also honoured with the 'Award for the Outstanding Contribution to the Banking Industry - 2015' by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

B D A PERERA

Deputy Chairman / Senior Independent Director

Independent, Non-Executive Director

Appointed to the Board on 01st April, 2021
Deputy Chairman / Senior Independent Director from 01st November, 2024

Committees	
Board Recoveries Committee	Chairman
Board Nominations and Governance Committee	Chairman
Board Credit Committee	Member
Board IT Steering Committee	Member
Board Human Resources and Remuneration Committee	Member

Qualifications
B.Sc.in Business Administration - University of Sri Jayewardenepura
Associate Member - Chartered Institute of Management Accountants and Chartered Global Management Accountants (ACMA, CGMA) - United Kingdom

Nature of expertise in relevant functional areas
Business Administration, Accounting, Auditing, Financial Analysis

Other Directorships	Listed Entities - 02	
Names of Companies	Director or KMP	Executive/Non-Executive
LB Finance PLC	Director	Executive
Associated Motor Finance Co., PLC	Director	Non-Executive
	Unlisted Entities - Nil	

The above information is given based on the position as at 31st December 2025.

Profile

Mr. B D A Perera is the Executive Director - Asset Management at LB Finance PLC.

Having joined LB Finance in 2004 as General Manager - Asset Management, he was appointed to the LB Finance Board on 1st January 2007. He also serves as a Non Executive Director at LB Finance Myanmar Ltd.

He has successfully completed High Potentials Leadership Program in 2012 at Harvard Business School in Boston, MA, USA. Counts over 22 years of experience in the leasing industry that includes positions at Commercial Leasing Company Limited, Lanka Orix Leasing Company PLC and Merchant Bank in Bangladesh.

BOARD OF DIRECTORS

SANDRA WALGAMA
Director
Independent, Non-Executive Director

Appointed to the Board on 28th January, 2022

Committees	
Board Human Resources and Remuneration Committee	Chairperson
Board Related Party Transactions Review Committee	Chairperson
Board Credit Committee	Chairperson
Board Nominations and Governance Committee	Member
Board Recoveries Committee	Member

Qualifications
Chartered Institute for Securities and Investment, London - Diploma in Wealth Management
Institute of Bankers of Sri Lanka - Diploma in Bank Management
Associate of the Institute of Administrative Accounting, London
Associate of the Institute of Bankers of Sri Lanka

Nature of expertise in relevant functional areas
Banking, Finance, Accounting

Other Directorships
Total Number of Directorships - Nil

The above information is given based on the position as at 31st December 2025.

Profile

Ms. Sandra Walgama was the former Senior Deputy General Manager - Personal Banking at Commercial Bank of Ceylon PLC. She has over 43 years of banking experience and is specialised in Banking, Finance, Wealth Management, Corporate banking and SME/Retail banking.

KAWSHI AMARASINGHE
Director
Non-Independent, Non-Executive Director

Appointed to the Board on 31st August, 2023

Committees	
Board Strategic Planning Committee	Member
Board Integrated Risk Management Committee	Member
Board IT Steering Committee	Member
Board Audit Committee	Member

Qualifications
Bachelor of International Studies - University of Queensland, Australia and University of Lausanne, Switzerland.
Certificate in Management Acceleration - INSEAD Business School, France

Nature of expertise in relevant functional areas
Strategic Planning, Brand Equity Building, Digital Marketing, Digital Banking and Economics.

Other Directorships	Listed Entities - 04	
Names of Companies	Director or KMP	Executive/Non-Executive
Vallibel One PLC	Director	Executive
The Fortress Resorts PLC	Director	Non-Executive
Hayleys Leisure PLC	Director	Non-Executive
Singer Sri Lanka PLC	Director	Non-Executive
	Unlisted Entities - 02	
Names of Companies	Director or KMP	Executive/Non-Executive
Greener Water Ltd	Director	Non-Executive
Biscuits & Chocolate Company	Director	Non-Executive

The above information is given based on the position as at 31st December 2025.

Profile

Ms. Kawshi Amarasinghe serves as an Executive Director of Vallibel One PLC and Group Director - International Business Development and CSR. With over 10 years of leadership experience, she drives strategic growth across the Group's key sectors and leads DP Education, Sri Lanka's largest e-learning platform, reaching over 1.8 million learners. In 2025, she was recognised as Top Female Leader - Conglomerate at the Top 50 Professional and Career Women in Management Global Forum.

BOARD OF DIRECTORS

MALIK RANASINGHE
Director
Independent, Non-Executive Director

Appointed to the Board on 01st January, 2024

Committees	
Board IT Steering Committee	Chairman
Board Sustainability Committee	Chairman
Board Credit Committee	Member
Board Strategic Planning Committee	Member
Board Recoveries Committee	Member

Qualifications
PhD - University of British Columbia, Vancouver, Canada
MASc - University of British Columbia, Vancouver, Canada
BSc Eng. (Hons) - University of Moratuwa, Sri Lanka
Fellow of the Institution of Engineers of Sri Lanka/Chartered Engineer
Fellow of Institute of Project Managers, Sri Lanka
Graduate Member of the Sri Lanka Institute of Directors
Fellow of National Academy of Sciences of Sri Lanka

Nature of expertise in relevant functional areas
Engineering Economics, Risk Management, Civil Engineering, Project Management, Corporate Governance

Other Directorships	Listed Entities - 01	
Names of Companies	Director or KMP	Executive/Non-Executive
ACL Cables PLC	Senior Director	Non-Executive
	Unlisted Entities - Nil	

The above information is given based on the position as at 31st December 2025.

Profile

Professor Malik Ranasinghe is an Emeritus Professor in Civil Engineering at the University of Moratuwa. He is a Chartered Engineer, International Professional Engineer and Fellow of the Institution of Engineers, Sri Lanka, Vice President and Fellow of the National Academy of Sciences, Sri Lanka, Fellow of the Institute of Project Managers, Sri Lanka and Graduate Member of Sri Lanka Institute of Directors.

Professor Malik Ranasinghe is a former Vice Chancellor of the University of Moratuwa and a former Chairman of Sampath Bank PLC, Information and Communication Agency of Sri Lanka, and the Committee of Vice-Chancellors and Directors of Sri Lanka. He is a former Commission Member of the University Grants Commission, former Council Member of the National Research Council, and a former Dean of the Faculty of Engineering at the University of Moratuwa. He is a former Fellow of the National University of Singapore, and former independent non-executive Director of the Colombo Stock Exchange, Teejay Lanka PLC, United Motors Lanka PLC, Sampath Bank PLC, Lanka IOC PLC, Access Engineering PLC, Resus Energy PLC and Hemas Power PLC.

DHARSHANIE PERERA
Director
Independent, Non-Executive Director

Appointed to the Board on 22nd May, 2024

Committees	
Board Integrated Risk Management Committee	Chairperson
Board Audit Committee	Member
Board Related Party Transactions Review Committee	Member
Board Sustainability Committee	Member

Qualifications
Diploma in Banking - Institute of Bankers of Sri Lanka
Associate of the Institute of Bankers of Sri Lanka
Member of Chartered Institute of Marketing - MCIM (UK)
Fellow of the Sri Lanka Institute of Credit Management - FICM (SL)
Fellow of Institute of Chartered Professional Managers (FCPM)

Nature of expertise in relevant functional areas
Banking, Finance, Marketing, Business, Administration

Other Directorships - Nil

The above information is given based on the position as at 31st December 2025.

Profile

Counting over 41 years of Banking, Mrs. Dharshanie Perera was the former Assistant General Manager of Commercial Bank of Ceylon PLC and brings in a wealth of diverse experience in the fields of specialised in banking, Corporate/SME/Retail lending, digitisation of banking products, and credit monitoring. While holding a diploma in banking, she is also a Fellow member of the Sri Lankan Institute of Credit Management (FICM), a Fellow member of the Institute of Chartered Professional Managers (FCPM), Member of the Chartered Institute of Marketing (MCIM) and an Associate member of the Institute of bankers (AIB).

BOARD OF DIRECTORS

ASHOKA GOONESEKERE
Director
Independent, Non-Executive Director

Appointed to the Board on 22nd July, 2024

Committees	
Board Audit Committee	Chairman
Board Integrated Risk Management Committee	Member
Board Related Party Transactions Review Committee	Member
Board Sustainability Committee	Member

Qualifications
MBA - University of Sri Jayewardenepura
Fellow of the Institute of Chartered Accountants of Sri Lanka [FCA]
Fellow of the Institute of Cost and Management Accountants of Sri Lanka [FCMA]

Nature of expertise in relevant functional areas
Financial Reporting, Financial Management, Corporate Taxation, Risk Management, Information Technology and Economics

Other Directorships	Listed Entities - 03	
Names of Companies	Director or KMP	Executive/Non-Executive
HNB Assurance PLC	Senior Director	Non-Executive
Distilleries Company of Sri Lanka PLC	Director	Non-Executive
Melstacorp PLC	Director	Non-Executive
	Unlisted Entities - Nil	

The above information is given based on the position as at 31st December 2025.

Profile

With a wealth of over 37 years of expertise in the banking industry, Mr. Ashoka Goonesekere brings a distinguished background in financial reporting, financial management, corporate taxation, risk management, Information Technology and Economics. Holding an MBA from the University of Sri Jayewardenepura (PIM), he is a fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Cost and Management Accountants of Sri Lanka.

Ashoka has held pivotal roles in corporate management, serving as the Chief Financial Officer of Hatton National Bank PLC and as the Senior Vice President/Chief Financial Officer, as well as the Senior Vice President Integrated Risk Management/Chief Risk Officer at DFCC Bank PLC. His extensive experience extends to board positions held at Acuity Partners (Pvt) Ltd, Acuity Stock Brokers (Pvt) Ltd, Acuity Securities Ltd, and Sithma Development Ltd. Notably, he has contributed as a board member to the Sri Lanka Accounting and Auditing Standards Monitoring Board, demonstrating his commitment to upholding industry standards. In addition to his board responsibilities, Ashoka has chaired and actively participated in various board sub-committees.

NALEEN EDIRISINGHE

Director/Chief Executive Officer

Appointed to the Board on 03rd April, 2023

Committees

- Board Credit Committee
- Board Recoveries Committee
- Board IT Steering Committee
- Board Sustainability Committee
- Board Related Party Transactions Review Committee - by Invitation
- Board Integrated Risk Management Committee - by Invitation
- Board Human Resources and Remuneration Committee - by Invitation
- Board Nominations and Governance Committee - by Invitation
- Board Audit Committee - by Invitation
- Board Strategic Planning Committee - by Invitation

Qualifications

- Master of Science in Management - University of Sri Jayewardenepura
- Senior Fellow Member - Institute of Bankers of Sri Lanka
- Fellow Member - Institute of Certified Professional Managers (FCPM)
- Certified Life & Business Coach - Sri Lanka Institute of Training & Development

Other Directorships - Nil

The above information is given based on the position as at 31st December 2025.

Profile

Counting over 25 years with Pan Asia Bank, his journey at Pan Asia Bank has seen him making significant contributions to the milestones and success achieved by the Bank. Counting over 38 years of overall banking experience - with extensive experience in strategic planning, Retail and SME Banking including Credit, Recoveries, Project Financing and Branch Operations.

Mr. Edirisinghe is currently the Chairman of the Banking Subcommittee of the National Chamber of Commerce Sri Lanka and a Member of the Governing Board and Training Committee of the Institute of Bankers Sri Lanka. Prior to joining Pan Asia Bank, he was with National Development Bank, having started his banking career with Commercial Bank of Ceylon in 1987.

NAYANTHA FERNANDO

Deputy General Manager - Company Secretary

Appointed as the Company Secretary on 16th July 1998

Qualifications

- Attorney-at-Law

Profile

Nayantha is an Attorney-at-Law with over 35 years of experience. She was appointed as the Bank's Company Secretary in 1998 and has been serving the Bank for over two decades. She is also a member of the Association of Professional Bankers, of Sri Lanka.

CORPORATE MANAGEMENT



NALEEN EDIRISINGHE
Director/Chief Executive Officer

Qualifications

- Master of Science in Management - University of Sri Jayewardenepura
- Senior Fellow Member - Institute of Bankers of Sri Lanka
- Fellow Member - Institute of Certified Professional Managers (FCPM)
- Certified Life & Business Coach - Sri Lanka Institute of Training & Development

Experience
38 Years



NAYANTHA FERNANDO
Deputy General Manager/Company Secretary

Qualifications

- Attorney- at- Law in Sri Lanka Law College

Experience
35 Years



GAYANATH DE SILVA
Deputy General Manager - Credit

Qualifications

- Master of Business Administration with specialisation in Finance - University of Southern Queensland, Australia.

Experience
35 Years



SURANGA FERNANDO
Deputy General Manager/Chief Financial Officer

Qualifications

- Associate Member - Institute of Chartered Accountants of Sri Lanka
- Associate Member - Association of Chartered Certified Accountants of United Kingdom
- Associate Member - Institute of Certified Management Accountants of Sri Lanka
- Bachelor of Science in Accounting (Special) Degree - University of Sri Jayewardenepura, Sri Lanka
- Master of Business Administration - University of West London

Experience
19 Years



NIMAL RATNAYAKE
Assistant General Manager - Branch Credit

Qualifications

- Fellow Member - Institute of Bankers of Sri Lanka
- Associate Member - Chartered Institute of Management Accountants and Chartered Global Management Accountants of (ACMA, CGMA) - United Kingdom
- Master of Business Administration - Postgraduate Institute of Management of University of Sri Jayewardenepura, Sri Lanka

Experience
34 Years



KANCHANA DEVASURENDRA
Assistant General Manager/Chief Information Officer

Qualifications

- Passed Finalist - Australian Computer Society
- Master of Business Administration - University of Bedfordshire, United Kingdom
- Diploma in Information System Security, Control and Audit (DISSCA) - Institute of Chartered Accountants of Sri Lanka
- Diploma in Computer Studies - IDM
- IBM DB2 certified Database Associate.

Experience
25 Years

CORPORATE MANAGEMENT



RAJITH THORADENIYA
Assistant General Manager - Operations and Administration

Qualifications
- Postgraduate Executive Diploma in Bank Management - Institute of Bankers of Sri Lanka
- Intermediate Banking Diploma - Institute of Bankers of Sri Lanka

Experience
33 Years



THUSHARI MALALGODA
Assistant General Manager - Human Resources

Qualifications
- Master of Science in Human Resources Management and Development - University of Salford, United Kingdom
- Associate Member - Chartered Institute of Management Accountants and Chartered Global Management Accountants (ACMA, CGMA) - United Kingdom
- Bachelor of Commerce (Special) Degree - University of Sri Jayewardenepura, Sri Lanka.
- Intermediate of Banking Diploma - Institute of Bankers Sri Lanka

Experience
29 Years



BUDDHIKA PERERA
Assistant General Manager - Deposit Mobilisation

Qualifications
- Master of Business Administration - Cardiff Metropolitan University, United Kingdom
- Advanced Certificate of Marketing - Chartered Institute of Marketing, United Kingdom

Experience
29 Years



GAYAN KAUSHALYA
Assistant General Manager - Treasury

Qualifications

- Charter holder - Chartered Financial Analyst Institute - United State of America
- Bachelor of Science degree, specialised in Engineering Physics - University of Colombo, Sri Lanka
- ACI Dealing Certificate holder - ACI Financial Market Association
- ACI FX Global Code Certification

Experience
20 Years



MUDITHA KARUNARATHNE
Assistant General Manager - Legal

Qualifications

- Attorney-at-Law in Sri Lanka Law College
- Post Attorney Diploma - Incorporated Council of Legal Education.

Experience
40 Years



ARUNASALAM PREMILAKANTHY
Assistant General Manager - Risk/Chief Risk Officer

Qualifications

- Associate Member - Chartered Institute of Management Accountants and Chartered Global Management Accountants (ACMA, CGMA) - United Kingdom
- Association Member - Institute of Certified Management Accountants of Sri Lanka
- Associate Member - Institute of Bankers of Sri Lanka
- Master of Business Administration - University of Sri Jayewardenepura, Sri Lanka
- Bachelor of Science in Public Management (Special) Degree - University of Sri Jayewardenepura, Sri Lanka
- Diploma in Treasury Risk and Management, Institute of Bankers of Sri Lanka

Experience
21 Years

CORPORATE MANAGEMENT



AMAL ALLES
Assistant General Manager - Branch Credit

Qualifications
- Associate Member - Institute of Bankers of Sri Lanka
- Master of Business Administration - Cardiff Metropolitan University, United Kingdom.

Experience
39 Years



CHARITH LEELARATHNE
Assistant General Manager - Internal Audit

Qualifications
- Fellow Member - Chartered Institute of Management Accountants and Chartered Global Management Accountants (ACMA, CGMA) - United Kingdom
- Diploma in Banking and Finance - Institute of Bankers of Sri Lanka
- Certified Internal Auditor (CIA) - Institute of Internal Auditors
- ISO 27001/2013 Lead Auditor (CQI and IRCA)
- Certified Information Systems Auditor (ISACA)
- Certified in Cybersecurity - International Information System Security Certification Consortium (ISC2)
- Certified Fraud Examiner - Association of Certified Fraud Examiners (ACFE)
- Master of Science in Business Analytics - Robert Gordon University - Scotland,
- A Post Graduate Executive Diploma in Bank Management - The Institute of Bankers of Sri Lanka
- Diploma in Information Systems Security Control Auditing - Institute of Chartered Accountants of Sri Lanka.

Experience
20 Years

SENIOR MANAGEMENT



UMAHARAN JEGANATHAN
Head - Colombo Metropolitan and Colombo Inner



PRADEEPAN SIVALINGAM
Head/Chief Digital Officer



SHERON HAMIDON
Head - Private Banking



SURENDRA RODRIGO
Head - Pawning



YOHAN EBELL
Head - Retail Credit



ANURADHA RANAWEERA
Head - Recoveries and Collections



HARSHA SAMARANAYAKE
Chief Manager - Corporate Banking



SIRIMEVAN SENEVIRATHNE
Chief Manager - Marketing



THAMARA RATHNAYAKA
Chief Manager/Chief Compliance Officer



DHANUSHKA SAPUGASTHANNA
Chief Manager - Consumer Banking



SHAILAJAH SUKUMARAN
Chief Manager - Trade Operations and Financial Institutions



DEEPAL LIYANAGE
Chief Manager - Corporate Banking

SENIOR MANAGEMENT



THENUKA THUSHYALAK
Chief Manager - Human Resources



NILESH SANDARUWAN
Chief Manager - Information Technology



TRISHENE DE MEL
Senior Manager II - Branch



DUSHAN PREMARATHNA
Senior Manager II - Software Development & Business Intelligence



CHAMATH ATUKORALE
Senior Manager II - Treasury Middle Office



ARAVINDA RODRIGO
Senior Manager II - Deposit Mobilisation



DARSHIKA KIRIHENE PEIRIS
Senior Manager II - Treasury Settlement



SITHARA JAYAKODY
Senior Manager II - Banking Operations



TIRAN HERATH
Senior Manager II/Chief Information Security Officer



THUSHARA SURAWEERA
Senior Manager - Branch



ANURADHA GAMAGE
Senior Manager - Branch



PRIMAL VITHANA
Senior Manager/Area Manager - Colombo South



SANJAYA SILVA
Senior Manager - Branch



DUMINDA HETTIARACHCHI
Senior Manager - Branch



HAREEN SEMAGE
Senior Manager/Area Manager - Southern



DEVIKA HALWATHURA
Senior Manager - Recoveries



PRASANNA BANDARA
Senior Manager - Retail Banking



YOHAN DANANJAYA
Senior Manager - Human Resources



NADEEKA FONSEKA
Senior Manager - Planning & Research



GAMINI PERERA
Senior Manager - IT Operations



ARUL ARUTKUMARAN
Senior Manager/Area Manager - North and East



NAYANI JAYASINGHE
Senior Manager - Recoveries



CHRISTMAN FONSEKA
Senior Manager - Development Banking and Sustainability Management



DUSHANTHA SAMANTHILAKE
Senior Manager - Branch Credit

SENIOR MANAGEMENT



ISHARA PREMARATHNE
Senior Manager - Remittances



IROSHINI DE SILVA
Senior Manager - Legal



SAMAN FERNANDO
Senior Manager - Branch



DARSHANA JAYASINGHE
Senior Manager - Operational Compliance and Data Protection Officer



DIMUTHU PERERA
Senior Manager/Area Manager - Colombo Outer



LAKSIRI PERERA
Senior Manager - Service Quality



DUSHANTHA LIYANAHEWA
Senior Manager - Branch



CHARITH PERERA
Senior Manager - Finance



THILEEPAN THAVAKUMARAN
Senior Manager - Integrated Risk Management



SANKA DAMPAHALA
Senior Manager/Senior Dealer

CORPORATE GOVERNANCE REPORT

The Corporate Governance Framework of Pan Asia Banking Corporation PLC guides the Bank and drives towards progress by way of developing and implementing appropriate corporate strategies. The approach to governance is based on the principle that there is a link between high quality governance and the creation of long-term stakeholder value. In pursuing corporate objectives, the Bank is committed to the highest level of governance and strives to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and mutual respect.

The Board of Directors, led by the Chairman, is responsible for governance of the Bank and developing effective Governance Framework to meet challenges both in short and long term. The Board is committed to improving the systems to provide transparency and accountability and initiate transformational changes whenever necessary by reviewing the systems continuously to ensure best practices are maintained and enhanced according to the principles of Corporate Governance.

The Board sets the tone at the top by promoting professional standards and corporate values that cascade to corporate management and the rest of the employees of the Bank. The codified policies, procedures and processes are some of the key mechanisms through which these standards and values are cascaded down to ensure adherence across the Bank. The Board is also supported by robust and independent risk, audit and compliance functions that provide effective oversight over the governance process.

Board Committees

The following Board committees are in place to assist the Board in fulfilling its governance responsibilities and the reports of the committees are given in the pages stated below:

Board Audit Committee - Page 183

Board Integrated Risk Management Committee - Page 187

Board Human Resources and Remuneration Committee - Page 189

Board Nominations and Governance Committee - Page 190

Board Related Party Transactions Review Committee - Page 192

Board Credit Committee – Page 194

Board Strategic Planning Committee - Pages 196

Board Recoveries Committee - Page 198

Board Information Technology Steering Committee - Page 200

Board Sustainability Committee - Page 202

Major Steering Instruments on Governance

The following internal and external driven factors play a vital role in maintaining a robust governance structure within the Bank.

External

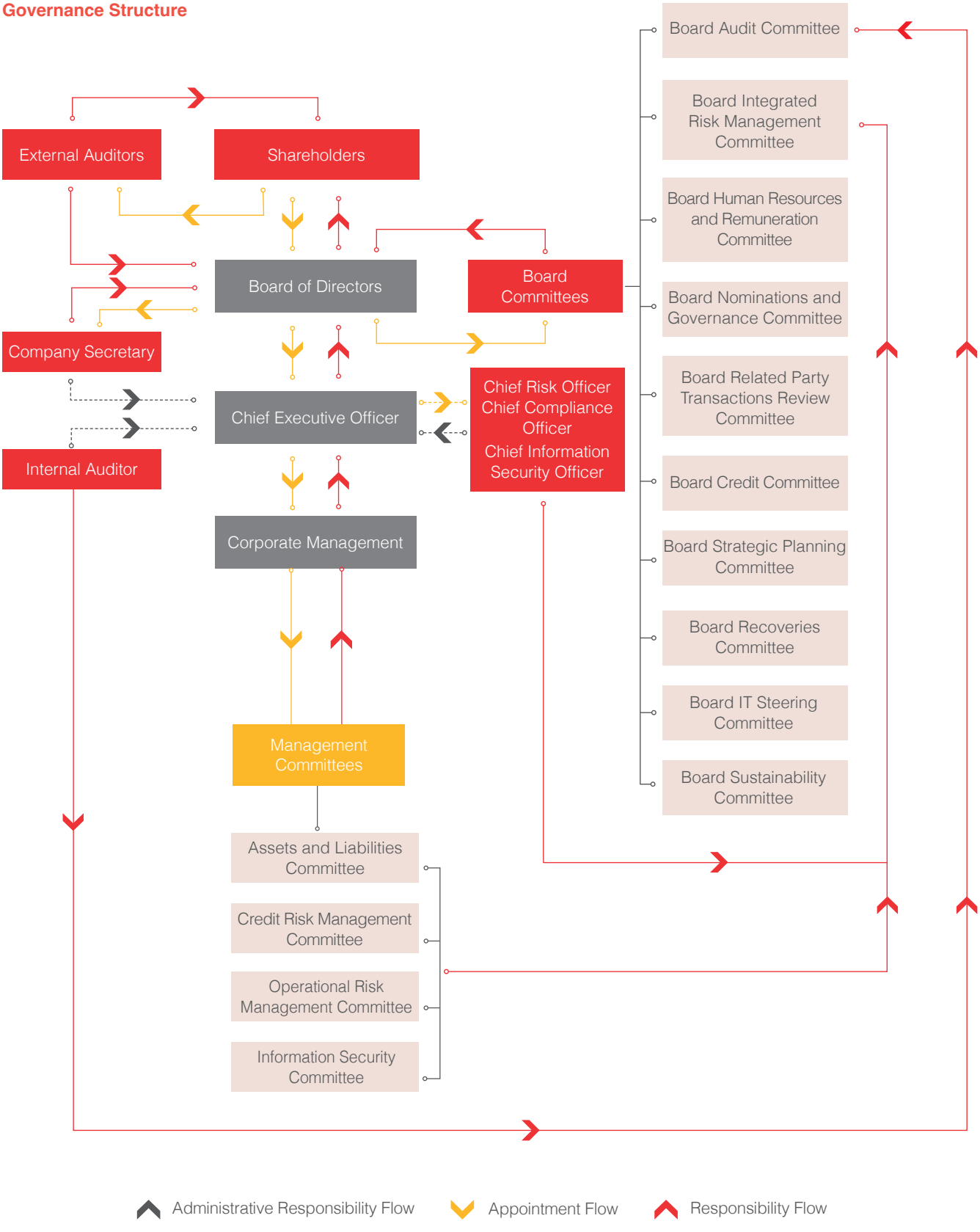
- Banking Act No.30 of 1988 and amendments thereto
- Banking Act Direction No. 05 of 2024 on Corporate Governance of Licensed Commercial Banks and amendments thereto
- Other Directions, Determinations and circulars issued to Commercial Banks by CBSL
- Companies Act No.7 of 2007 and amendments thereto
- Securities and Exchange Commission of Sri Lanka (SECSL) Act. No. 19 of 2021
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practice of Corporate Governance - 2023 issued by the ICASL/CA Sri Lanka
- The Anti-Money Laundering Laws and Regulations
- All other laws and regulations

Governance

Internal

- Articles of Association of the Bank
- Corporate Governance Framework of the Bank
- Policy on Matters relating to the Board of Directors and Board Procedures
- Charters/Terms of References of Board committees
- Charters/Terms of References of Management Committees
- Code of Business Conduct and Ethics for Employees
- Board approved policy frameworks for governance, risk, compliance, and operational areas
- Customer Charter

Governance Structure



Regulatory Framework

Pan Asia Banking Corporation PLC operates within a strong regulatory framework governing its corporate governance responsibilities. The Bank complies with Banking Act Direction No. 05 of 2024, except for requirements subject to future-dated timelines specified in Schedule V of the Direction.

The Bank also meets the Corporate Governance requirements of the Colombo Stock Exchange Listing Rules, with related disclosures provided on pages 150 to 156 of this Report.

In addition, the Bank has voluntarily adopted the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, incorporating recommended principles on Board structure, committee effectiveness, governance processes and sustainability oversight.

External Auditors' Review on Compliance with Direction No. 05 of 2024 on Corporate Governance

The Bank's external auditors, Messrs. Ernst & Young, conducted the annual review of the Bank's compliance with the Corporate Governance requirements prescribed in the of Banking Act Direction No. 05 of 2024, in accordance with Sri Lanka Standard on Related Services 4400 (SLSRS 4400). Their report of factual findings on the Bank's compliance for the year 2025 has been issued.

External Auditors' Review on Board's Statement of Internal Controls over Financial Reporting

The external auditors conducted a review of the Board's Statement on Internal Controls over Financial Reporting in accordance with Sri Lanka Standard on Assurance Engagements 3050 (SLSAE 3050 – Revised). Their work assessed the adequacy of the Bank's internal controls related to financial reporting, in line with the requirements of Banking Act Direction No. 05 of 2024, including the relevant disclosure provisions under Section 9 and Section 9.2

Board Size



8

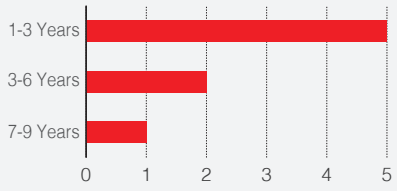
Directors

Board Composition



Executive Director/CEO	12.50%
Non-Independent/ Non-Executive Directors	25.00%
Independent/Non-Executive Directors	62.50%

Diversity of Board Tenure



Gender Diversity

Male : 5 Female : 3

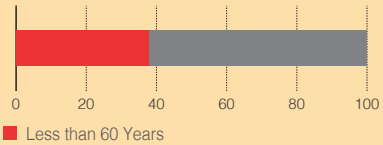


Female Representation : **37.50%**

Age Diversity

Average Age

60



Report on Degree of Compliance with Corporate Governance Requirements

A detailed statement outlining the Bank's degree of compliance with the following frameworks is presented in the table following this section:

- Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks
- CSE Listing Rules on Corporate Governance applicable to listed entities
- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

The summary provides a clear depiction of compliance status, identifies areas and highlights the governance practices and internal processes instituted to uphold sound corporate governance principles.

Corporate Governance Disclosure on Compliance with Banking Act Direction No.05 of 2024

CBSL Section	Principle, Compliance and Implementation
1	**Ultimate Responsibility and Accountability of the Board**
1.1	Responsibilities of the Board The role and responsibilities of the Board are clearly defined and documented in the Board Charter, which outlines the framework for the effective discharge of the Board's duties. The Charter specifies the Board's accountability for providing strategic direction, overseeing management performance, ensuring compliance with legal and regulatory requirements, safeguarding stakeholder interests, and upholding the principles of good corporate governance.
	(a) Strategic Direction and Values - Complied with ✓ The Bank's strategic objectives and corporate values are incorporated into the Board approved strategic plan for 2025 - 2028. These strategic objectives are communicated to relevant staff at regular briefing sessions and discussion meetings and then cascaded down to all levels. The corporate values which are derived from vision and mission statements are communicated to all existing staff and new recruits are informed as a part of their Induction programme.
	(b) Overall Business Strategy including Risk Policy and Management - Complied with ✓ The overall business strategies of the Bank set up by the Board in consultation with the corporate management are focused on promoting sustainable and profitable growth of the Bank. The Board approved the strategic plan containing measurable goals for 2025 - 2028 period is in place. The business strategy is reviewed on a needy basis with updates. The Board approved annual budget has been derived from the Bank's strategic plan. The Risk Management framework and mechanisms set in line with the strategic plan were also approved by the Board. Measurable goals have been set and monthly/quarterly performance is measured against the set goals. These are reviewed on an annual basis and revised on a needy basis.
	(c) Inculcate a strong risk governance culture - Complied with ✓ i) Strong Risk governance culture inculcates in the Bank by, identifying and managing the Operational Risk, Market Risk and IT Risk is managed through respective units under CRO and overseen by BIRMC. ii) Risk Policies of the Bank defined the three lines of defence covering business lines, Risk Management and compliance and internal audit. iii) Risk Management, Compliance and Audit functions are established under separate KMPs of the Bank and each KMP is reporting to the respective Board Committee Chairman. All three Departments are sufficiently staffed to carry out the functions efficiently. iv) The Bank's risk appetite is defined as the risk management policy of the Bank aligning with the Bank's strategic, capital, and financial plans, which is articulated through a Risk Appetite Statement. v) Action plans are set for critical risk parameters (such as capital, liquidity) if risk appetite limits are breached. Risk limits are monitored and monthly communicated to Board of Directors. Disciplinary actions for excessive risk taking happen on a case-by-case basis with Management / Board review. vi) The Board demonstrates strong awareness of its responsibilities towards all shareholders. A comprehensive Policy for the Relations with Shareholders is in place.

CBSL Section	Principle, Compliance and Implementation
	(d) Board independence and balance representation - Complied with ✓ The Policy on Managing Conflicts of Interest ensures that no single Director, or group of Directors, exerts undue influence or control over the Board in a way that could harm the interests of depositors, creditors, or the Bank as a whole. In line with the Policy, if a conflict of interest is identified involving a Director, his/her close family member, or an entity in which the Director holds a significant interest, the concerned Director must withdraw from the related discussions, refrain from expressing views or granting approval, and avoid accessing any information connected to the matter, whether physically or electronically.
	(e) Communication with Stakeholder ✓ The Bank demonstrates strong awareness of its responsibilities towards all shareholders. A comprehensive Policy on Relations with Shareholders is in place to guide interactions and ensure that the interest of shareholders is appropriately considered in decision-making process. Separate policy is available to communicate with other stakeholders.
	(f) Internal Control System and Management Information Systems - Complied with ✓ The Board reviews adequacy and the integrity of the Bank's internal control systems and management information system through BAC. The Internal Audit Department provides reports on monthly actions follow up on periodical basis.
	(g) Related Party Transaction Governance and Conflict of Interest Management - Complied with ✓ The Board appointed RPTRC to implement effective control systems for managing the related party exposures and avoiding any conflicts of interest that may arise from related party transactions.
	(h) Business Continuity, Disaster Recovery, and Operational Resilience - Complied with ✓ The Operational risk management committee monitors through Key Risk Indicators (KRIs) Business continuity and disaster recovery plans to ensure financial stability, operational resilience and preserve critical operations and services including core-banking systems during any disruptive event and decisions and KRI's are discussed at the BIRMC.
	(i) Remuneration Oversight, Risk Alignment, and Compensation Policy - Complied with ✓ The Board Oversee the approach to remuneration, including monitoring and reviewing remuneration through the Board Human Resources and Remuneration Committee to ensure remuneration are aligned with the risk appetite of the Bank.
	(j) Key Management Personnel - Complied with ✓ The KMPs are identified and designated for each identified area, their appointment is overseen and approved by the Board Nominations and Governance Committee.
	(k) Define Areas of Authority and Key Responsibilities for Directors and KMP - Complied with ✓ The responsibilities are shared based on the specific skills and expertise of the Directors. Directors are appointed to Board Committees to ensure effective oversight and management of the Bank's affairs. Key responsibilities are documented and approved by the Board.
	(l) Oversight of Affairs of the Bank by Key Management Personnel - Complied with ✓ The affairs of the KMP are monitored by the Board and Board Committees regularly. The Bank has 10 Board Committees which are overlooking into the relevant areas and reporting to the Board, for which the Board has delegated the authority to the Board Committees.
	(m) Assesses Effectiveness of own Governance Practices including Selection and Nomination of Directors and KMPs, Management of Conflict of Interest and Determination of Weaknesses - Complied with ✓ The Board of Directors annually assesses the effectiveness of their own governance practices.
	(n) Annual Board Performance and Director Self-Assessment - Complied with ✓ Directors undertake self-assessments annually to evaluate their individual performance, Contribution and effectiveness in fulfilling their responsibilities at the Board level and the Board Committees separately. The criteria for self-assessment is reviewed and approved by the Board, and records of such assessments are maintained.

CBSL Section	Principle, Compliance and Implementation
	(o) Succession plan for CEO and the key management personnel - Complied with ✓ The Bank fulfilled the requirement of having key successors in different units during the current year and has a succession Plan for other KMP positions aligned to the Bank's strategic objectives. The KMP succession Plan is reviewed and updated periodically and continuously makes improvement for same.
	(p) Regular Meetings with KMP - Complied with ✓ The CEO and KMPs have regular reviewing of necessary policies on prescribed intervals and board review and approve those policies. The KMPs are regularly invited to attend meetings of the Board and its Committees to provide their expertise and input on matters related to their respective areas of responsibility. They also make presentations on key agenda items to facilitate effective decision-making by the Board.
	(q) Regulatory Environment and Effective Relationship with Regulators - Complied with ✓ The Company Secretary furnishes Directors a set of rules with regard to regulatory directions and requirements at the time of their appointment. They are also briefed about developments in the regulatory environment at board meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities. Further the Chief Compliance Officer submits reports on regulatory requirements to the BIRMC enabling the committee update on the regulatory environment. The Chairman, CEO and Directors maintain a good relationship with the regulators with regard to strategic matters of the Bank while the Compliance Officer maintains effective relationship with the regulator with regard to all Compliance matters.
	(r) Hiring and Oversight of External Auditor - Complied with ✓ The external auditors are selected only from the approved list of auditors of the CBSL. The BAC reviews the hiring and oversight of external auditors.
	(s) Ethical Conduct and Professional Integrity - Complied with ✓ The Bank has introduced the anti-bribery and corruption policy, and strict disciplinary actions are enforced on bribery concerned misconduct. The policy is applicable to Directors and employees of the Bank.
	(t) Inculcate a sound corporate culture - Complied with ✓ A sound corporate culture has been established throughout the Bank through a code of conduct applicable for the Directors and the employees of the Bank providing clear guidelines based on the corporate values and on professionally and ethically acceptable behaviours.
	(u) Regulatory Compliance and Oversight Rectification - Complied with ✓ The Board ensures that any supervisory concerns raised by regulators are promptly addressed with the assistance of the relevant Board Sub-Committees. The Board periodically reviewed the progress of rectification.
	(v) Whistleblowing Policy and Confidential Reporting Procedures - Complied with ✓ The Bank has a Board approved "Policy on Whistleblowing" published on its official website, where a whistleblower may, in confidence, raise concerns about possible improprieties in Financial Reporting, Internal Control or other matters. The said policy enables the whistleblowers to report matters within the ambit of the policy to the regulators. The BAC ensures the effective implementation of the whistleblowing mechanism for the fair and independent investigation of such matters and for appropriate follow-up actions.
	(w) ESG Strategic Integration and Sustainable Financing Framework - Complied with ✓ The Board Sustainability Committee and Sustainability Management Committee were established to promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies.

CBSL Section	Principle, Compliance and Implementation
1.2	Appointment of Chairman and CEO and their Functions and Responsibilities - Complied with ✓ The Chairman and the Chief Executive Officer (CEO) are appointed by the Board in accordance with the regulatory requirements. Their respective functions and responsibilities are clearly defined in line with the Banking Act Directions and have been formally reviewed and approved by the Board to ensure effective governance and role clarity.
1.3	Board Meetings - Complied with ✓ Regular meetings of the Board are held to ensure the effective discharge of its responsibilities, while special meetings are convened as and when required. During the year 2025, fifteen (15) Board meetings were held in compliance with applicable regulatory requirements and the Code of Best Practice on Corporate Governance issued by CA Sri Lanka, enabling timely deliberation and decision-making on strategic, operational, and governance matters. The practice of obtaining Board consent through circular resolutions is avoided except in circumstances of urgent necessity, and any such resolutions are duly ratified at the subsequent Board meeting.
1.4	Board Procedures
	(a) Arrangements for Directors to include Proposals in the Agenda - Complied with ✓ The Board ensures that arrangements are in place for Directors to propose matters for inclusion on the agenda as stated in the guidelines.
	(b) Notice of Meetings - Complied with ✓ In accordance with the directions, a minimum notice period of seven (7) days is provided for all regular Board meetings to ensure that Directors have sufficient time to prepare for and attend such meetings. The Board is furnished with accurate, complete, and timely information, with the agenda, minutes, and supporting papers circulated to Directors within the stipulated timeframes in advance of meetings to facilitate meaningful discussions, expression of views, submission of proposals, and informed, effective decision-making.
	(c) Directors' Attendance - Complied with ✓ During the year under review, there were no Directors absent from three consecutive meetings. All Directors have attended all 15 Board Meetings. This demonstrates the Board's strong commitment to active participation and effective oversight. Directors' attendance at Board Meetings and Committee meetings are given on page 149.
1.5	Appointing a Company Secretary
	(a) Appointment and setting responsibilities of Company Secretary - Complied with ✓ The Board has appointed a Company Secretary who satisfies the requirements of Section 43 of the Banking Act No. 30 of 1988. The Company Secretary is responsible for providing secretarial services to the Board and shareholders and carries out duties in accordance with the relevant statutes, regulations, and governance practices, ensuring effective communication and compliance across all stakeholders.
	(b) Access to advice and services of Company Secretary - Complied with ✓ All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable laws, rules, and regulations are properly followed. A Board approved policy is in place to govern and facilitate this process.
	(c) Training and Capacity Building for Directors - Complied with ✓ The Company Secretary implements the recommendations of the Nominations and Governance Committee regarding training, capacity building, and professional development programs for Directors, ensuring their continuous enhancement of skills and governance effectiveness.
	(d) Maintenance of Board Minutes - Complied with ✓ The Company Secretary maintains the minutes and recordings of all Board meetings. These records are kept in a manner that allows any Director or the regulator to inspect them at any reasonable time, upon giving reasonable notice, ensuring transparency and accountability in Board proceedings.

CBSL Section	Principle, Compliance and Implementation
1.6	Maintenance of Board Meeting Minutes - Complied with ✓ The minutes of Board meetings are maintained in comprehensive detail to ensure that the Board's actions can be clearly seen as having been undertaken its duties with due care, diligence, and prudence. These minutes serve as a formal record of the Board's deliberations and decisions, providing transparency and accountability, and act as a reference for regulatory and supervisory authorities to assess the depth and quality of discussions. Accordingly, the minutes clearly document: • A summary of the data, information, and rationale considered by the Board in its deliberations. • The matters discussed and decisions taken by the Board. • Fact-finding discussions, including issues of contention or dissent, reflecting whether the Board exercised its duties prudently. • Testimonies and confirmations from relevant Key Management Personnel demonstrating compliance with the Board's strategies, policies, and applicable laws and regulations. • The Board's awareness and understanding of the risks facing the Bank and an overview of the risk management measures adopted. • The resolutions and formal decisions of the Board. This detailed record-keeping of minutes ensures effective governance, accountability, and provides a robust framework for regulatory review, while supporting the Board in making informed and responsible decisions.
1.7	Obtaining Independent Professional Advice - Complied with ✓ An approved Board procedure provides Directors to seek independent professional advice, where deemed necessary.
1.8	Managing Conflicts of Interest - Complied with ✓ The Directors at all times take necessary steps to avoid conflicts of interest or the potential conflicts of interest, in their activities with and commitments to, other organisations, Related Parties and other stakeholders. The Directors are also conscious of their obligation to deal with situations where there is a conflict of interest in accordance with the Bank's 'Policy on Managing Conflicts of Interest'. This Policy has been developed in line with applicable regulatory requirements and best practices, and its effectiveness is periodically reviewed by the Board.
1.9	Requirement to inform on inability to meet obligations - Complied with ✓ The Board is aware of the need to inform the Director of Bank Supervision Department prior to taking any decision or action, if the Bank is about to become insolvent or about to suspend payments to its depositors and other creditors. If such a situation arises, the Bank will duly inform the Director of Bank Supervision Department. However, such a situation did not arise during the year 2025. Through the Corporate Governance requirements, the Directors are given with the responsibility of informing the Director of Bank Supervision Department and making necessary public and other disclosures upon the occurrence of such an event.
1.10	Compliance with Prudential Requirements - Complied with ✓ The Board and the Board Strategic Planning Committee (BSPC) monitor capital adequacy requirements periodically. The Bank was in compliance with the Capital Adequacy Ratio requirements stipulated by the Central Bank of Sri Lanka and other prudential grounds throughout the year 2025.
1.11	Annual Corporate Governance Report - Complied with ✓ During the year under review, the extent of compliance with policies, laws, regulations and ethical standards applicable to the Bank are disclosed in this Corporate Governance Report on pages 130 to 148 in line with the statutory requirements.

CBSL Section	Principle, Compliance and Implementation
2	**Composition of the Board**
	The Board's composition is designed to ensure a balanced mix of knowledge, qualifications, skills, and experience across relevant disciplines, as well as diversity in gender and backgrounds to promote a variety of perspectives aligned with the size, scale, diversity, and complexity of the Bank's operations. The Directors' qualifications and experience encompass the relevant disciplines as prescribed by the Central Bank of Sri Lanka.
2.1	Procedure for Appointing Directors - Complied with ✓ (a) A formal and transparent policy is in place for the appointment of new Directors to the Board. Board-approved procedures also ensure the orderly succession of Board appointments, supporting continuity, effective governance, and alignment with regulatory requirements. (b) None of the Directors or employees of the Bank have been appointed, elected, or nominated to serve as a Director of any other bank.
2.2	Board Balance
	(a) Number of Directors - Complied with ✓ The number of Directors on the Board is maintained in compliance with regulatory requirements, with not less than seven (7) and not more than thirteen (13) Directors, and is commensurate with the size, scale, diversity, and complexity of the Bank's operations. The Bank complied with the minimum Board composition requirements throughout the relevant period. As at 31 December 2025, the Board comprised of eight (8) Directors, including five (5) Independent Non-Executive Directors, two (2) Non-Executive Non-Independent Directors, and one (1) Executive Director.
	(b) Gender representation - Complied with ✓ The Board currently has three (3) female representatives, which is well above the requirement specified by the CBSL regulations. This reflects the Bank's commitment to gender diversity and inclusive governance.
	(c) Availability of financial acumen - Complied with ✓ The Board comprises members with the necessary financial acumen and professional expertise to provide effective guidance on financial matters. The collective knowledge and experience of the Board enable sound oversight of the Bank's financial strategy, performance, reporting, and internal controls, ensuring the integrity and reliability of financial information presented to stakeholders.
2.3	Executive Directors - Complied with ✓ The Bank remains in compliance with the requirement that the number of Executive Directors shall not exceed one-third of the total number of Directors. As at 31st December 2025, Bank has only one Executive Director who is the Chief Executive Officer of the Bank.
2.4	Non-Executive Directors - Complied with ✓ All Non-Executive Directors are suitably qualified professionals with a credible track record of integrity and conduct. They possess the necessary knowledge, skills, and experience to provide independent judgment on matters of strategy, performance, and resources, contributing effectively to the Bank's sustainability. Details of their qualifications and experience are given on pages 110 to 117.
2.5	Independent Directors - Complied with ✓ The independence of Non-Executive Directors is determined quarterly by the Nominations and Governance Committee based on declarations submitted by each Director, confirming compliance with the independence criteria prescribed by regulators. As at 31st December 2025, five (5) out of eight (8) Directors were Independent Non-Executive Directors, and the Bank has maintained compliance with the minimum requirement stated in the regulations for Independent Directors throughout the year.

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2.6	Representation through Alternate Directors - Complied with ✓ The appointment of alternate Directors to represent Directors at Board meetings is permitted in exceptional circumstances, in accordance with Board approved policy and subject to relevant regulatory requirements and approvals, including prior approval from the Director of Bank Supervision Department under Section 42 of the Banking Act. Alternate Directors appointed to represent Independent Directors are required to meet the same independent criteria, and no existing Director may serve as an alternate Director for another Director. Already appointed alternate Director to one of the Directors cannot be appointed as an alternate Director to another Director in the same board. However, no alternate Directors were appointed during the year 2025.
2.7	Quorum for the Board Meetings - Complied with ✓ The required quorum, including the presence of more than one-third Independent Non-Executive Directors, was duly maintained at all Board meetings during the year 2025, as evidenced by the attendance records of the Directors.
3	**Suitability of Directors**
3.1	Criteria to Assess Fitness and Propriety - Complied with ✓ In compliance with Sections 42 and 76H of the Banking Act, the fitness and propriety of all persons serving or proposed to serve as Directors are duly assessed. The Directors' and CEO's affidavits are tabled at the Board Nominations and Governance Committee for their review and recommendation and subsequently tabled at the Board meeting for approval prior to submission to the Central Bank of Sri Lanka for their approval.
3.2	Additional Requirements for Suitability of Directors
	(a) Retiring age of Directors - Complied with ✓ The Company Secretary maintains updated records of all Directors. As at the end of the year, none of the Directors serving on the Board have exceeded the age limit of seventy (70) years, being in compliance with the regulatory requirement.
	(b) Tenure - Complied with ✓ The tenure of each Director, excluding the Executive Director who serves as the CEO, is monitored in accordance with regulatory requirements. None of the Non-Executive Directors have exceeded the maximum permitted tenure of nine (9) years of service during the year under review.
	(c) Directors should not hold Directorships of more than 20 Companies - Complied with ✓ The Company Secretary monitors the directorships held by each Board member to ensure compliance with regulatory limits. None of the Directors held directorships in more than twenty (20) companies/ entities/ institutions during the year under review.
	(d) Adequate Director Commitment to Bank Affairs - Complied with ✓ All Directors have devoted adequate time and attention to discharge their duties and responsibilities effectively. The Board is satisfied that each Director has allocated sufficient time to the affairs of the Bank to contribute meaningfully to Board deliberations and decision-making during the year under review.
3.3	Cooling-off period - Complied with ✓ There were no instances during the year under review where a Director or the CEO of another Bank was appointed as a Director or CEO. The Bank continues to remain in full compliance with this regulatory requirement.
4	**Delegation of Functions**
	The Board complied with the following requirements in delegating its functions.
4.1	Division of Responsibilities - Complied with ✓ A clear division of responsibilities exists between the Board and Key Management Personnel to ensure an effective balance of power and authority so that powers are not concentrated in any individual.

CBSL Section	Principle, Compliance and Implementation
4.2	Specific Matters for Board Decisions - Complied with ✓ The Board has established a formal schedule of matters specifically reserved for its decision making to ensure that the direction and control of the Bank remains firmly under its authority. In addition to these reserved matters, other relevant Board papers are presented at each meeting for deliberation and approval, reinforcing effective governance and oversight.
4.3	Restrictions to Delegate - Complied with ✓ All delegations are made within clearly defined limits, with the Board ensuring that such delegation would not significantly hinder or reduce the ability of the Board as a whole to discharge its functions
4.4	Review of Delegation Process - Complied with ✓ The Board reviews the delegation processes on a periodic basis to ensure that they remain relevant to the needs of the Bank.
5	**The Chairperson and CEO**
5.1	Division of Responsibilities between Chairperson and CEO - Complied with ✓ The roles of the Chairperson and the Chief Executive Officer (CEO) are distinct and are held by separate individuals, ensuring a clear separation between the leadership of the Board and the Executive management of the Bank. The responsibilities of the Chairperson and the CEO is clearly defined, formally documented, and approved by the Board. This structure ensures an appropriate balance of authority, accountability, and effective governance at both Board and executive levels.
5.2	Suitability of the Chairperson - Complied with ✓ The Chairperson is a Non-Executive, Non-Independent Director. In accordance with the Corporate Governance Directions issued by the Central Bank of Sri Lanka (CBSL), a Senior Independent Director has been appointed. Please refer to the Profiles of the Board of Directors given on pages 110 to 117 for further details.
5.3	Responsibilities of the Chairperson - Complied with ✓ The responsibilities of the Chairperson is clearly defined, formally documented, and approved by the Board. The Chairperson provides leadership to the Board, ensuring effective governance, the efficient conduct of meetings, and high-quality decision-making. The Chairperson facilitates timely, comprehensive, and constructive discussions on key matters, promotes open and independent contributions from all Directors, and fosters a culture of transparency and constructive debate. The Chairperson ensures that Directors are adequately briefed and have access to accurate, timely, and relevant information to effectively discharge their duties. The Chairperson does not engage in executive functions, thereby maintaining a clear separation between Board oversight and Executive management. Effective communication with shareholders is carried out in accordance with the Bank's Shareholder Communication Policy.
5.4	Conduct of CEO - Complied with ✓ The Chief Executive Officer functions as the apex executive in charge and overseeing the Bank's day-to-day operations and business activities. The CEO does not function as an employee or a Director of another licensed bank or any other company/institution/ entity.
5.5	Suitability of CEO - Complied with ✓ The CEO has fulfilled the Fit and Proper Assessment Criteria outlined in Section 44A and Section 76H of the Banking Act and possesses sufficient authority, stature, knowledge, competencies and expertise in the core banking functions given the size, scale, diversity and complexity of operations of the Bank.

CBSL Section	Principle, Compliance and Implementation
6	**Board Approved Committees**
6.1	Requirements for the Board Committees - Complied with ✓ The Bank has established ten (10) Board Committees, including all mandatory committees as required by regulatory directions. The composition of all Committees are in line with the regulatory requirements. Each Committee is governed by its own Terms of Reference and has a secretary who arranges the meetings, maintains minutes and records under the supervision of the Chairperson of the respective Committee. The Chairperson of the respective Committee is accountable for the effective functioning of the Committee and reports on a periodic basis to the Board on the activities of the Committee, highlighting matters for the attention of the Board. The Committee Terms of Reference/Charters are reviewed regularly.
6.2	Board Audit Committee (BAC)
	(a) The Chairman to be an Independent Non-Executive Director with Qualifications and Experience in Accountancy and/or Audit - Complied with ✓ The Chairman of the BAC, Mr. Ashoka Goonesekere is an Independent Non-Executive Director functioned as the Committee chair throughout the year who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He is not the chair of the Board or any other Board committee. The profile of Mr. Goonesekere is disclosed on page 116.
	(b) Committee to Comprise Solely of Non-Executive Directors - Complied with ✓ As of 31st December 2025, all three members of the Board Audit Committee (BAC) are Non-Executive Directors, with one member being Non-Independent. The Committee members collectively possess the skills and expert knowledge in finance, accounting, and auditing appropriate to the size, scale, diversity, and complexity of the Bank's operations. The composition of the Audit Committee during 2025 is given on pages 183 to 186 Board Audit Committee Report.
	(c) Independence and Separation of Committee Membership - Effective from 01 January 2027 As of 31st December 2025, all three members of the Board Audit Committee (BAC) are also members of the Board Integrated Risk Management Committee (BIRMC). This arrangement will be adjusted to comply with the regulatory requirement that a majority of members of each committee shall not overlap, effective from 01st January 2027. The Director/CEO and Chief Financial Officer attended Board Audit Committee meeting by invitation throughout the year.
	Audit Committee Quorum and Meeting Frequency - Complied with ✓ As per the Board Audit Committee Charter, the quorum for a meeting would be two members and majority of those in attendance to be Independent Directors. The Committee met Fourteen (14) times during the year. The Committee reviewed the quarterly and annual financial statements and recommended the same to the approval of Board of Directors prior to releasing the same to market.
	(d) Audit Committee Recommendations - Complied with ✓ Messrs Ernst & Young, Chartered Accountants served as the Bank's External Auditor for the year under review. The Board Audit Committee (BAC) undertakes the necessary due diligence in the selection and oversight of the External Auditor and provides recommendations to the Board. The External Auditor is formally appointed by the shareholders at the Bank's Annual General Meeting. The BAC oversees the Bank's relationship with the External Auditor and reports to the Board as required. The Committee also reviews and monitors the Auditor's independence, integrity, objectivity, and the effectiveness of their audit procedures in line with applicable standards and best practices. During the year under review, there were no resignations or removals of the Bank's External Auditor. The change of auditor to be taken place during 2026 with the approval of shareholders.

CBSL Section	Principle, Compliance and Implementation
	(e) Review and Monitor External Auditor´s Independence, Objectivity and the Effectiveness of the Audit Processes - Complied with ✓ The committee assesses the independence, integrity, and objectivity of the audit process through an independent evaluation conducted by the committee.
	(f) Provision of Non-Audit Services by the External Auditor - Complied with ✓ The committee has put in place a policy on engaging of external auditors for non-audit services and the policy is reviewed on an annual basis. Any assignment offered to the external auditor which falls within the ambit of non-audit services is dealt separately by the committee as per the corporate governance regulations.
	(g) Determine the Nature and Scope of Audit with the External Auditors - Complied with ✓ The committee held discussions with the external auditor in October 2025 with respect to the annual audit. The committee met the audit partner independently without the management present to facilitate raising any concerns that needs to be expressed by the auditor. Further the committee reviewed the nature and scope of the audit and other related engagements that are assigned to the external auditor as part of the annual audit.
	(h) Review accounting policies/systems and the internal control framework - Complied with ✓ The committee reviews Directors' statement of internal control submitted by Internal Audit to ensure that internal controls relating to financial reporting is in place adequately.
	(i) Review Financial Information of the Bank - Complied with ✓ The committee reviews audited financial statements, interim financial reports and related management disclosures before submission to the Board of Directors. The committee reviews any management judgments made during the preparation of accounts, any changes in accounting policies and practices, significant adjustments arising from the audit if there is any, going concern assumption and compliance with accounting standards and legal requirements.
	(j) Discussions with External Auditor without the Executive Management on Interim and Final Audits - Complied with ✓ The committee discussed interim audit and final audit results and management letter observations. Further the committee met the external auditor without the presence of management.
	(k) Review of Management Letter and Bank's Response - Complied with ✓ The management letter is discussed at the Committee and directions are given to management in rectification of concerns raised by the audit.
	(l) Review of Internal Audit Function - Complied with ✓ The committee reviews internal audit reports, approves its plan and ensures the availability of resources within internal audit in discharging their duties. The committee reviewed action taken by the management in resolving audit issues identified. During the year the committee assessed performance of Chief internal auditor and reviewed the performance appraisals of other senior members of the internal audit. The committee recommended the appointment of CIA after the retirement of the previous CIA. The committee ensured that Internal Audit function remained independent, impartial, proficient and dealt with due professional care.
	(m) Internal Investigations - Complied with ✓ The committee reviewed all the internal audit reports and investigations submitted to the committee along with management responses.
	(n) Attendees at Meetings of the Board Audit Committee - Complied with ✓ KMPs attend the meetings of the BAC which are held monthly by invitation. The BAC met with external auditors on two occasions during the year independently without the Executive management being present.
	(o) Explicit Authority, Resources and Access to Information - Complied with ✓ The committee is vested with authority by the Board of Directors via its Board Audit Committee. The committee is authorised to investigate any matter within its TOR, have access to resources which needs to be, have full access to information and to obtain external professional advice as and when required.

CBSL Section	Principle, Compliance and Implementation
	(p) Regular Meetings - Complied with ✓ The committee held its meetings regularly and the attendance of the Directors are updated in the Board Audit Committee report on page 183.
	(q) Secretary to the committee - Complied with ✓ The Chief Internal Auditor acts as the secretary to the committee.
	(r) Whistleblowing Policy - Complied with ✓ A Board approved whistleblowing policy is in place at the Bank, and the committee ensures that all whistleblowing incidents reported are dealt appropriately with necessary follow-up action.
	(s) Relationship with External Auditor - Complied with ✓ The committee is the single source of contact for matters relating to External Auditor. Disclosure requirements are covered in the Board Audit Committee Report given on pages 183 to 186.
6.3	Board Human Resources and Remuneration Committee (BHRRC)
	(a) The Chairman to be an Independent Non-Executive Director - Complied with ✓ The Chairperson of the BHRRC is an Independent NED who is not the chair of the Board.
	(b) Committee Composition - Complied with ✓ Membership of the Committee comprises Non-Executive Directors and 2/3 of the Directors of this committee are Independent Directors. The composition of the Human Resources and Remuneration Committee during 2025 is given on page 189.
	(c) CEO's Presence at BHRRC Meetings - Complied with ✓ The CEO is present upon invitation except when matters relating to CEO are being discussed
	(d) Policy to Determine the Remuneration of Directors, CEO and KMPs - Complied with ✓ A Board-approved Remuneration Policy is in place which sets out the framework for determining the salaries, allowances, and other financial and non-financial benefits applicable to Directors, the Chief Executive Officer (CEO), and Key Management Personnel. The Policy clearly stipulates that no Director shall be involved in the determination of his or her own remuneration, thereby ensuring transparency and sound governance practices. The Committee operates under Board-approved Terms of Reference, which clearly define its scope, authority, and responsibilities in compliance with the regulations.
	(e) Goals and Targets for the Directors, CEO and KMP - Complied with ✓ Goals and targets of the CEO and KMPs set for the year 2025 and it was recommended by the BHRRC and then tabled for the approval of the Board of Directors.
	(f) Evaluation of the Performance of the CEO and KMPs against the Set Targets and Goals and Determine the Basis for Revising Remuneration - Complied with ✓ The Committee periodically evaluates the performance of the Chief Executive Officer (CEO) and Key Management Personnel (KMP) against the approved targets and objectives, and makes recommendations to the Board on performance outcomes, revisions to remuneration, and the determination of performance-based incentives and other related payments. At the beginning of each financial year, the CEO is assigned a set of Key Performance Indicators (KPIs) aligned with the Bank's short, medium, and long-term objectives. These KPIs comprise both financial and non-financial targets and are established by the Board in consultation with the CEO. The CEO's performance is reviewed and assessed twice annually at mid-year and at year end. The Board Remuneration Committee conducts the evaluation and submits its recommendations to the Board for approval. The Board also independently reviews the CEO's performance at these intervals, closely monitoring the achievement of targets and, where applicable, considering any justified reasons for deviations.

CBSL Section	Principle, Compliance and Implementation
	(g) Shareholder approval for Special payments - Complied with ✓ The Bank ensures that prior written approval from shareholders is obtained for any special payments or financial and non-financial benefits to Directors, the CEO, and Key Management Personnel upon termination of employment or retirement.
	(h) Compensation made to Directors, CEO and Key Management Personnel is within the risk appetite limits of the Bank - Complied with ✓ The Committee periodically reviews and recommends any additional or new expertise required on the Board and oversees succession arrangements for retiring Directors. A formal Board succession plan is in place to ensure continuity and effective governance.
	(i) Policy on claw-back arrangements for performance-based payments made to CEO and key management personnel - Complied with ✓ The Claw back policy was developed which lay down the process to be followed by the licensed bank on claw-back arrangements for performance-based payments made to CEO and key management personnel if a fraud or misappropriation of funds etc. takes place, to the extent of the financial loss caused to the licensed bank. The policy has been approved by the Board of Directors and will be effective from 01st January 2026.
6.4	Board Nominations and Governance Committee (BNGC)
	(a) Composition of the BNGC - Complied with ✓ The Committee is chaired by an Independent Non-Executive Director and is constituted with two-thirds of its members being Independent Directors. The CEO attends Committee meetings by invitation, except when matters relating to the CEO are under discussion, ensuring independent oversight and effective governance. The Chairman and members of the Committee are identified in the Nominations and Governance Committee Report on pages 190 to 191. The Bank is in Compliance throughout the year with the Corporate Governance Regulations.
	(b) Process in relation to the appointment and re-election of Directors - Complied with ✓ A formal and transparent process is in place for the appointment of Directors, ensuring that all appointments are made in compliance with applicable regulatory requirements and sound corporate governance practices.
	(c) Fit and Proper Criteria for Directors, CEO and KMPs - Complied with ✓ The Committee ensures that all Directors and the CEO meet the fit and proper criteria specified in Directions 3.1 and 8.2 of the CBSL Corporate Governance direction, prior to their appointment and throughout their tenure, in compliance with regulatory requirements.
	(d) Engaging Board Committees in Selecting the CRO, CCO, and CIA - Complied with ✓ The Board Integrated Risk Management Committee recommendation was obtained when selecting the CRO and CCO and the Audit Committee recommendation was obtained when selecting the CIA.
	(e) Re-election of Directors - Complied with ✓ The Board Nominations and Governance Committee evaluates the performance and contributions of Directors retiring by rotation under the Articles of Association and makes recommendations to the Board on their re-election, ensuring that continued service aligns with effective Board governance and responsibilities.
	(f) Quarterly evaluate the status of independence of the independent Non-Executive Directors in terms of the Direction 2.5 b) - Complied with ✓ The Committee obtains quarterly declarations from all Independent Non-Executive Directors to evaluate their independence in accordance with Direction 2.5(b) and to identify any potential conflicts of interest. Any changes to a Director's independent status are reported to the Director of Bank Supervision Department as required.

CBSL Section	Principle, Compliance and Implementation
	(g) Eligibility Criteria for Appointments to Key Managerial Positions including the CEO - Complied with ✓ Criteria required such as qualifications and experience for an appointment to the position of CEO and KMP positions are covered in Selection criteria for appointment of CEO and KMP which have been approved by the Board Nominations and Governance Committee and in case of a promotion of a KMP, the Board approved Promotion Policy will be applied.
	(h) Annual assessment of Board composition - Complied with ✓ The Committee periodically reviews and recommends any additional or new expertise required on the Board and oversees succession arrangements for retiring Directors. A formal Board succession plan is in place to ensure continuity and effective governance.
	(i) Succession Plan and New Expertise - Complied with ✓ Board approved Succession Plan for CEO & KMPs is available including the 1st level of successors and 2nd level of successors to each KMP position hired externally or groomed internally. Development of identified successors takes place through structured training programs, coaching and mentoring sessions. The Succession Plan is reviewed at least on an annual basis.
	(j & k) Keeping Directors Current on Evolving Banking Dynamics - Complied with ✓ The Committee ensures that Directors are continuously updated on applicable laws, regulations, macroeconomic policies, technological developments, and emerging trends in the banking sector. It also identifies Directors' training needs and makes recommendations for capacity building and professional development programs. Details of the training programs conducted are provided in the Board Nominations and Governance Committee report on page 190.
	(l) Review of Board and Committee Composition - Complied with ✓ The Committee reviews the structure, size, qualifications, and composition of the Board and its Committees to ensure they are appropriate for the effective discharge of duties and responsibilities. It also oversees the review, updating, and implementation of the Bank's corporate governance framework and policies, ensuring alignment with applicable laws, regulations, and industry best practices.
	(m) Review of overall corporate governance framework and policies of the bank - Complied with ✓ A Board-approved Corporate Governance Framework is in place and is reviewed and updated periodically to reflect changes in regulatory requirements and evolving industry best practices.
	(n) Profile of the Members of the Nomination Committee - Complied with ✓ Brief resumes of Directors, including their qualifications, experience, other directorships, and independence status, are included in the Annual Report to provide stakeholders with full transparency. If any Alternate Directors are appointed, such appointments and relevant disclosures will also be included; however, no Alternate Directors were appointed during the year 2025. Please refer to the Nominations and Governance Committee Report on pages 190 to 191.
6.5	Board Integrated Risk Management Committee (BIRMC)
	(a) The BIRMC Chaired by an Independent Director - Complied with ✓ The Board Integrated Risk Management Committee chaired by an Independent Director who is not the chair of the Board or any other Board sub committee.
	(b) Composition of BIRMC - Complied with ✓ The BIRMC comprises three Non-Executive Directors, two-thirds of whom are Independent. The Committee members collectively possess extensive experience in risk management, particularly in the context of banking and financial services, enabling effective oversight of the Bank's risk Management framework and practices.
	(c) Independence and Separation of Committee Membership - Effective from 01 January 2027 The Bank will take necessary steps to comply with the stipulated requirement by the given date.

CBSL Section	Principle, Compliance and Implementation
	(d) Management representation to the BIRMC - Complied with ✓ The CEO, CRO and CCO are Permanent Invitees for the BIRMC and the key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks to attend the meetings on needs basis.
	(e) Engagement with Key Management Personal - Complied with ✓ The Committee work closely with Key Management Personnel and make decisions on behalf of the Board, strictly within the framework of authority and responsibilities delegated to the Committee.
	(f) Establish an independent risk management function - Complied with ✓ An independent Risk Management function has been established to oversee the Bank's integrated risk management framework. The Risk Management Department is headed by the Chief Risk Officer (CRO) and reports functionally to the BIRMC. The risk management function is organised into Credit, Operations, Market, and IT Risk Management, collectively covering the Bank's comprehensive risk landscape.
	(g) Monthly Assessment of Key Risks and Risk Indicators - Complied with ✓ The Chief Risk Officer (CRO) is responsible for evaluating and implementing appropriate mitigating actions to effectively manage the various risks the Bank faces in its operations. The BIRMC oversees the CRO's functioning and receives regular reports and communications from the CRO and other relevant functions regarding the Bank's risk profile, exposures relative to established risk appetite limits, and any limit breaches. The Risk Management team assesses all key risks, including credit, market, liquidity, operational, information security, and strategic risks on a monthly basis using relevant risk indicators and management information.
	(h) Advice and report to the Board on the Bank's exposures against the risk appetite - Complied with ✓ The Risk Summary is submitted to the Board of Directors following each quarterly BIRMC meeting.
	(i) Supervision of the CRO and Risk Profile Reporting - Complied with ✓ Monthly and quarterly dashboards are submitted to the Committee, along with comprehensive quarterly Risk Reports, ensuring timely oversight and monitoring of the Bank's risk exposures.
	(j) Oversee the strategies implemented by CEO and the key management personnel - Complied with ✓ The Committee reviews and monitors the strategies implemented by the CEO and Key Management Personnel during quarterly BIRMC meetings, ensuring that the Bank's risk management practices, as well as its capital and liquidity strategies, remain fully aligned with the approved risk appetite.
	(k) Risks within quantitative and qualitative risk limits as specified by the Committee - Complied with ✓ The BIRMC assesses all risks of the Bank on a monthly basis using Key Risk Indicators, management information, Risk Dashboards, and Risk Assessment reports prepared by the Risk Management Department, Compliance, and Information Security Unit. The Bank has also established Management Committees that review risks on a quarterly basis. Any significant risk-related findings are submitted to the BIRMC for review, and the minutes of the BIRMC are subsequently tabled at the Main Board.
	(l) Implementation of Prompt Corrective Actions for Risks Beyond Approved Prudential Limits - Complied with ✓ The Committee reviews risk levels quarterly and takes corrective actions as and when necessary to ensure that all risks remain within prudent limits and comply with regulatory and supervisory requirements.
	(m) Meet at least quarterly to assess all aspects of risk management including updated business continuity plans - Complied with ✓ The BIRMC is conducted on a quarterly basis, with additional meetings arranged as necessary to review and assess all aspects of risk management, including updates to the Bank's business continuity plans.
	(n) Take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee - Complied with ✓ The Committee reviews risk levels and Key Risk Indicators (KRIs) quarterly, or as and when necessary, and ensures that prompt corrective actions are taken against Officers who fail to identify or mitigate potential risks.

CBSL Section	Principle, Compliance and Implementation
	(o) Risk Assessment Report to Board - Complied with ✓ Risk assessment reports are submitted to the following month's Board meeting. In cases of urgent matters, reports are submitted to the Board via circulation to ensure timely review and direction.
	(p) Compliance Function - Complied with ✓ A dedicated compliance officer is available at the Bank and is identified as a KMP. The compliance functions are carried out separately and are reported to the committee quarterly.
	(q) Establish an effective communication and coordination mechanism with the Audit Committee - Complied with ✓ All risk items identified by the Audit Department or the Board Audit Committee (BAC) are submitted to the BIRMC for review. Conversely, risk items identified by the Risk Department or BIRMC that require the attention of the BAC are submitted to the BAC, ensuring effective communication and coordination between the Committees.
	(r) Evaluation of Employee Incentive Structures Considering Risk, Capital, Liquidity, and Earnings - Complied with ✓ Incentive limits are established and communicated to the Board Human Resources and Remuneration Committee to ensure that employee rewards are aligned with the Bank's risk profile, capital, liquidity, and earnings.
6.6	Related Party Transactions Review Committee
	(a) Be chaired by an Independent Director who is not the chair of the Board - Complied with ✓ The Related Party Transactions Review Committee is chaired by an Independent Non-Executive Director.
	(b) Consist of at least three Non-Executive Directors with a majority of Independent Directors - Complied with ✓ BRPTRC Consist of three Independent, Non-Executive Directors. The CEO and relevant key management personnel attend the meetings on need basis.
	(c) Ensure that a clear policy, procedures and processes are in place- Complied with ✓ Board approved policy and procedures are available for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations.
	(d) Review the related party transactions - Complied with ✓ The committee reviews each transaction either via circulation or during the meeting. The main aim is to ensure that interest of the stakeholders, including shareholders and depositors as a whole, is taken into account by the Bank when entering into transactions with Related Parties and to provide specific measures to ensure that no favourable treatment is being offered to Related Parties.
	(e) Quarterly Reporting on Related Parties, Related Party Transactions, and their Economic Impact - Complied with ✓ The Committee submits minutes of the Related Party Transactions review committee meeting to the Board on a quarterly basis.
	(f) Director Abstention from Deliberations on Conflict-of-Interest Transactions - Complied with ✓ As per the approved policy and procedure, it should be disclosed Directors' interest on related party transactions should be disclosed when presenting proposal for the Board or board subcommittee. Directors ensure that a Director abstains from participating in discussions on any Board decision on transactions in relation to the Director or any of his/her close relations or a concern in which the Director has substantial interest.
	(g) Ensure more favourables treatments are not offered to Related parties - Complied with ✓ Related Party transactions are reviewed and checked to be within the prudential percentage of the Bank's regulatory capital.
7	**Related Party Transactions**
7.4	Accommodation Granted to Directors and Connected Parties - Complied with ✓ No favourable treatment granted to accommodations to person or to a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank.

CBSL Section	Principle, Compliance and Implementation
7.5	Accommodation granted to Employees - Complied with ✓ No favourable treatment is granted to employees of the Bank other than those provided under the schemes of staff benefits applicable to all employees as per the Board approved Policy on staff housing loan and staff vehicle loan policy.
7.6	Writing-off of Accommodation to Related Parties - Complied with ✓ During the year under consideration, accommodation granted to related parties and any interest have not been written off.
8	**Senior Management**
8.1	Board Oversight on Senior Management - Complied with ✓ The Board has defined the areas of authority and key responsibilities for the Key Management Personnel (KMPs), which are detailed in their individual Job Descriptions. The KMPs have effectively discharged their assigned responsibilities within the defined areas of authority, consistently aligning their performance with the Board's strategies and policies throughout the year under review.
	(a) Define the areas of authority and responsibilities of the senior management - Complied with ✓ Areas of authority and responsibility of each senior management member are clearly defined and each KMP is made accountable for carrying out the day-to-day functions relevant for their area of work.
	(b) Alignment of Senior Management Actions with Board-Approved Strategy and Policies - Complied with ✓ Each senior management member will have their own strategies and actions for their respective areas which are aligned to the overall business strategy of the Bank, and it is in line with the Board approved policies.
	(c) Periodic Meetings with Senior Management to Monitor Corporate Objectives- Complied with ✓ The Senior Management members meet the Board of Directors annually to present their strategies for the following year and meet the Board Strategic Planning Committee on quarterly basis to review and update the action plans. Further all other Board Committees will meet the respective Senior Management members on a need basis to review the progress towards achieving corporate objectives.
	(d) Assessment and Challenge of Senior Management Information - Complied with ✓ During the relevant Board Committee meetings, Board members question and critically review explanations and information provided by the respective senior management members. Challenges faced by the senior management members in carrying out day-to-day activities are discussed and advise received by the Board members.
	(e) Assessment of Senior Management Expertise and Capacity - Complied with ✓ The Board shall time to time assess whether knowledge and expertise of the senior management is sufficient and appropriate with the size, scale and complexity of the operations of the Bank and direct to give required training for senior management members to improve their knowledge and the skills required to perform their respective job function better.
	(f) Hold the senior management members accountable for the actions. - Complied with ✓ As the expectations and the goals are clearly defined and monitoring the work progress and regular feedback giving mechanism is in place, Senior Management members are held accountable for their actions.
8.2	Criteria to Assess the Fitness and Propriety of Senior Management - Complied with ✓ As per the direction, all relevant senior management members have obtained approval from CBSL as fit and proper persons to perform their respective job functions.
8.3	Responsibilities of Senior Management
	(a) Contributing to Corporate Governance through Personal Conduct - Complied with ✓ All senior management members of the Bank contribute substantially to the Bank's sound corporate governance framework through personal conduct. They demonstrate ethical behaviour, integrity and transparency in their actions and decisions. Further they foster a culture of compliance, encouraging employees to adhere to laws, regulations and Bank policies.

CBSL Section	Principle, Compliance and Implementation
	(b) Devote sufficient professional time to discharge his/her duties - Complied with ✓ All senior management members devote sufficient professional time to discharge their duties at the Bank.
	(c) Implementing Board-Approved Strategies, Risk, and Compliance Frameworks - Complied with ✓ Business strategies to achieve the set goals and objectives for each year are implemented by the respective senior management members which will be compiled to arrive at the Bank's Strategic Plan. Further, senior management members who are responsible for Risk and Compliance functions ensure risk management systems, compliance culture, process and controls are in place to manage both financial and non-financial risks.
	(d) Ensuring Independence of Risk, Compliance, and Internal Audit Activities - Complied with ✓ All senior management members do not interfere with the functions of risk management, compliance and internal audit and shall recognise and respect each of these functions and ensure compliance with all regulatory governance and ethics.
	(e) Continuous Professional Development and Awareness of Relevant Developments - Complied with ✓ All senior management members are provided with necessary training including foreign training related to leadership and relevant job-related trainings to develop their skills, knowledge and competencies needed to perform their jobs efficiently and to keep abreast of developments relevant to the respective areas of responsibility.
	(f) Ensuring Proper Delegation and Oversight of Assigned Tasks - Complied with ✓ Senior Management members cascade down their responsibilities and duties to the staff under their purview and regular monitoring and review is taking place by overseeing the delegated duties.
	(g) Establishing a Management Structure that Ensures Accountability and Transparency - Complied with ✓ A Board approved management structure is in place clearly defining the accountability and transparency of job functions of each Senior Management member.
	(h) Addressing or Breaches through Appropriate Remedial Disciplinary Measure - Complied with ✓ For any identified breaches, either remedial action is taken promptly, or disciplinary actions are taken as per the process laid down in the Board approved Disciplinary Management policy.
	(i) Regular Reporting of Material Matters to the Board and Sub-Committees - Complied with ✓ All the stated information is being reported to the relevant sub committees, and to the Board of Directors periodically.
	(j) Reporting Material Information Impacting Board or Senior Management Fitness and Propriety - Complied with ✓ Any material information that may negatively affect the fitness and propriety of a senior management member will be duly notified to Director of Bank Supervision Department.
9	**Disclosures**
9.1	Board Responsibilities on Disclosures - Complied with ✓ The Board has established appropriate policies and oversight mechanisms to ensure that all regulatory and public disclosures including key performance indicators, capital adequacy, liquidity, business concentrations, related party transactions, corporate governance, etc. are made accurately, adequately, and in a timely manner. The Annual Audited Financial Statements and the Quarterly Financial Statements were prepared and published in newspapers in Sinhala, Tamil and English in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.
9.2	(a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures - Complied with ✓ Statements to this effect are included in the Annual Report of the Board of Directors on the Affairs of the Bank on pages 204 to 212, Directors' Responsibility for Financial Reporting on page 214, CEOs and CFOs responsibility to the Financial Reporting on page 215 and Note 2.1 Statement of Compliance to the Financial Statements on page 229.

CBSL Section	Principle, Compliance and Implementation

(b) Report by the Board on the Bank's Internal Control Mechanism - Complied with ✓

The Directors' Statement on Internal Controls over Financial Reporting is included on pages 180 to 181, where the Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

(c) External Auditor´s Certification on Effectiveness of the Internal Control Mechanism Referred in 3(8)(ii)(b) - Complied with ✓

The Bank has obtained independent assurance from the External Auditors to confirm that effectiveness of the Bank's Internal Controls Over Financial Reporting system as per the 'Sri Lanka Standard on Assurance Engagements SLSAE 3050'. This independent assurance report is published on page 182.

(d) Details of Directors including names, fit and propriety, fees and transactions with bank- Complied with ✓

The profiles of the Directors are given on pages 110 to 117.

The remuneration paid to Directors (including CEO) and their transactions with the Bank is disclosed in note 55 to the financial statements on page 329.

In line with regulatory requirements the Annual Report includes comprehensive disclosures regarding the Board and Board Committee performance. This encompasses Directors' profiles, qualifications, expertise, key appointments, nature of expertise, independence status, material business interests, attendance at Board and Committee meetings, and other relevant directorships. Such disclosures provide stakeholders with a transparent overview of the Board's composition, competencies, and active participation in governance.

(e) Net Accommodation Granted to Each Category of Related Parties and as a Percentage of the Bank's Regulatory Capital - Complied with ✓

The details of net accommodation granted to related parties as a percentage of total regulatory capital are given below.

Category of Related Party Transaction	Rs. Mn	%
a) A Director of the Bank	1.50	<0.01
b) Director's Close Relation	2.45	0.01
c) Concerns in which the Directors of the Bank have a substantial interest	Nil	-
d) Concerns in which close relations of any of the Bank's Directors have a substantial interest	Nil	-
e) A Chief Executive Officer or an officer performing executive functions of a licensed bank	12.03	0.04
f) Shareholders owing material interest in the Bank	15.00	0.05
g) A subsidiary or an associate company	Nil	-
h) Holding Company of the Bank	Nil	-
i) Directors of Subsidiary Companies	Nil	-
j) Directors of the Holding Company of the Bank	Nil	-
k) A close relation of a person specified in Direction (e) and (f) above	112.30	0.37
l) A concern, whose Director or partner is a Director of the bank	Nil	-
m) Concerns in which the Bank's material shareholders of the Bank have a substantial interest	3,908.00	13.02
n) A concern in which a close relation of an individual material shareholder has substantial interest	Nil	-

CBSL Section	Principle, Compliance and Implementation
	f. Aggregate Values of Remuneration Paid to and Transactions with Key Management Personnel - Complied with ✓ The aggregate values of remuneration paid to KMP (As defined in the Banking Act Directives) during the year are as follows. **Category of Related Party Transaction** — **Rs. Mn** Short term Benefits — 267.80 Retirement Benefits — 31.60 The aggregate value of transactions by KMP with the Bank as at the year-end are as follows. **Category of Related Party Transaction** — **Rs. Mn** Loans, Advances and Credit Card Balances — 72.50 Deposits — 66.16 Repurchase Agreements — 2.00
	(g) Details of Board committees - Complied with ✓ Details of each Board committee including the required details are given on pages 183 to 203.
	(h) Disclosures in the Annual Corporate Governance Report - Complied with ✓ The Annual Corporate Governance Report is disclosed in page 127 to 148 in this annual report. The report consists of external auditor's certification of compliance with Corporate Governance Directions issued by the CBSL, Composition of the Board, the identity of the Chairperson and CEO and the members of the Board. Please refer to pages 110 to 117 for brief profiles of the Directors. Please refer to pages 110 to 117 for Directorships held by the Directors in other companies. Please refer page 149 for the composition/attendance of Board meetings and Statutory Committees.
	(i) External Auditor´s Certification of Compliance - Complied with ✓ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances is disclosed on page 182 in this annual report.
	(j) Measures Taken to Rectify Non-Compliant Issues - Complied with ✓ During the year under review, the Bank did not receive any communication from the Director of Bank Supervision Department of the CBSL regarding deficiencies that would raise supervisory concerns about the Bank's Risk Management Framework or instances of regulatory non-compliance requiring public disclosure. Further, no administrative penalties were imposed on the Bank under CBSL Direction No. 05 of 2024.
	(k) Aggregate Values total non-statutory special payments/ financial or non-financial benefits made to Directors, CEOs and Key Management Personnel - Complied with ✓ The aggregate value of total non-statutory special payments/ financial or non-financial benefits made to Directors, CEOs and key management personnel at the termination of employment or at the retirement during the respective financial year is disclosed in page 252.
9.3	Resignation, Removal or Vacation of Office of Directors - Complied with ✓ In the event of a Director's resignation, removal, or vacating of office due to regulatory non-compliance or Board decision, the Bank discloses the Director's departure and the reasons thereof on its official website, including any disagreements of the Director with the Bank, if applicable. No such situation arose during the year under review.

Attendance of the Directors During the Year - 2025

Name of Director	Board Meetings		Board Audit Committee		Board Credit Committee		Board Integrated Risk Management Committee		Board Human Resources & Remuneration Committee		Board Nominations & Governance Committee		Board Strategic Planning Committee		Board Related Party Transactions Review Committee		Board Recoveries Committee		Board IT Steering Committee		Board Sustainability Committee	
	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance
Aravinda Perera	15	15	-	-	16	16	-	-	4	4	11	11	4	4	-	-			4	4	-	-
B D A Perera	15	15	-	-	16	16	-	-	4	4	11	11	-	-	-	-	12	12	4	4	-	-
Sandra Walgama	15	15	-	-	16	16	-	-	4	4	11	11	-	-	4	4	12	12	-	-	-	-
Kawshi Amarasinghe	15	15	14	10	-	-	5	5	-	-	-	-	4	4	-	-	-	-	4	4	-	-
Malik Ranasinghe	15	15	-	-	16	16	-	-	-	-	-	-	4	4	-	-	12	12	4	4	1	1
Dharshanie Perera	15	15	14	14	-	-	5	5	-	-	-	-	-	-	4	4	-	-	-	-	1	1
Ashoka Goonesekere	15	15	14	14	-	-	5	5	-	-	-	-	-	-	4	4	-	-	-	-	1	1
Naleen Edirisinghe	15	15	14	14	16	15	5	5	4	4	11	11	4	4	4	4	12	12	4	4	1	1

Directors' Composition During the Year - 2025

Name of The Director	Category
Aravinda Perera	Non-Independent, Non-Executive Director
B D A Perera	Independent, Non-Executive Director
Sandra Walgama	Independent, Non-Executive Director
Kawshi Amarasinghe	Non-Independent, Non-Executive Director
Malik Ranasinghe	Independent, Non-Executive Director
Dharshanie Perera	Independent, Non-Executive Director
Ashoka Goonesekere	Independent, Non-Executive Director
Naleen Edirisinghe	Director/Chief Executive Officer

CORPORATE GOVERNANCE REPORT

Corporate Governance Disclosure on Compliance with Colombo Stock Exchange (CSE) Listing Rules - Section 09

Reference	Requirement Extent of Compliance
9.1	**Corporate Governance Rules**
9.1.1 9.1.2 9.1.3	Extent of Compliance with Corporate Governance Rules - Complied with ✓ The extent of compliance with Corporate Governance Section 09 of the listing rules issued by CSE is tabulated below.
9.2	**Policies**
9.2.1	Availability of Policies - Complied with ✓ The following policies which are mandated by the CSE listing rules are currently in place. a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption The above policies are available in the Bank website for reference.
9.2.2	Waivers and Exemptions - Complied with ✓ At present there are no waivers and exemptions applicable to the Bank
9.2.3	Disclosures in the Annual Report - Complied with ✓ Policies listed in section 9.2.1 above disclosed in the Bank website for reference
9.2.4	Requesting Bank Policies by Shareholders - Complied with ✓ The Bank shall make available any of the policies in section 9.2.1 above to the shareholders upon a written request being made.
9.3	**Board Committees**
9.3.1	Establishment of Board Committees - Complied with ✓ The Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee are in place.
9.3.2	Board Composition Responsibilities and Disclosures - Complied with ✓ The composition of all Committees are in line with the CSE listing rules. Each Committee is governed by its own Terms of Reference and has a secretary who arranges the meetings, maintains minutes and records under the supervision of the Chairperson of the respective Committee. The Chairperson of the respective Committee is accountable for the effective functioning of the Committee and reports on a periodic basis to the Board on the activities of the Committee, highlighting matters for the attention of the Board. The Committee Terms of Reference/Charters are reviewed regularly.

Reference	Requirement Extent of Compliance
9.3.3	Chairperson of Board Committees - Complied with ✓ The Chairperson of the Board of Directors is not the Chairperson of Nominations & Governance Committee, Remuneration Committee, Audit Committee or the Related Party Transactions Review Committee during the year 2025.
9.4	**Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders**
9.4.1	Record Maintenance - Complied with ✓ The Company Secretary is responsible for maintaining comprehensive records of all resolutions and details from General Meetings, including the following, a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and d) The number of shares in respect of which the vote was directed to be abstained.
9.4.2	Communication and relation with Shareholders and Investors - Complied with ✓ The Bank has an established policy on communication with shareholders and investors.
9.5	**Policy on matters relating to the Board of Directors**
9.5.1	Availability of policy on governing matters relating to the Board of Directors - Complied with ✓ The requirements are currently captured in the Policy on matters relating to the Board of Directors.
9.5.2	Disclosures in the Annual Report - Complied with ✓ Disclosures are made in the Annual Report of the Board of Directors given on pages 204 to 212.
9.6	**Chairperson and CEO**
9.6.1	Chairperson and CEO - Complied with ✓ The Chairperson is a Non-Executive Director. The position of Chairperson and CEO is not held by the same individual.
9.6.2	Disclosure of non-compliances - Complied with ✓ Not applicable
9.6.3	Appointment of Senior Independent Director - Complied with ✓ Since the Chairperson and CEO are not the same person or the Chairperson and CEO are not close family members nor related parties, the designation of a Senior Independent Director doesn't arise under the CSE listing rules. However, since the Board Chairman is a Non-Independent Director, a Senior Independent Director was designated in terms of direction 5.2 of the Banking Act Direction No.05 of 2024 on Corporate Governance issued by the Central Bank of Sri Lanka. Please refer to the Profiles of the Board of Directors given on pages 110 to 117 for further details.
9.6.4	Disclosure of Non-Compliances in the Annual Report - Complied with ✓ Not applicable.
9.7	**Fitness of Directors and CEO**
9.7.1 9.7.2	Appointment of Fit and Proper Persons - Complied with ✓ Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules. The Board has a formal and transparent process in place for the succession and appointment of Directors. The Nominations and Governance Committee makes recommendations to the Board according to the suitability of the persons that are nominated to be appointed as Directors as per the regulations, for approval.

Reference	Requirement Extent of Compliance
9.7.3	Fit and Proper Assessment Criteria - Complied with ✓ a) Honesty, Integrity and Reputation b) Competence and Capability c) Financial Soundness The assessment criteria detailed in the CSE listing rules have been incorporated into the annual declaration of the Directors and the CEO.
9.7.4	Annual Declarations from Directors and CEO - Complied with ✓ Annual declarations from Directors confirming that each of them have continuously satisfied the fit and proper assessment criteria set out in the CSE listing rules were obtained as at 31 December 2025.
9.7.5	Disclosures in the Annual Report - Complied with ✓ Disclosures are made in the Annual Report of the Board of Directors given on pages 204 to 212.
9.8	**Board Composition**
9.8.1	Board at Minimum to consist of Five (5) Directors - Complied with ✓ The Bank complied with the requirement on minimum number of Directors throughout the relevant period. The Board of Directors of the Bank consisted of eight (8) Directors as at 31 December 2025.
9.8.2	Minimum number of Independent Directors (Min:2 or 1/3 of total number, whichever is higher) - Complied with ✓ The Bank complied with the requirement on minimum number of Independent Directors throughout the relevant period. The Board of Directors of the Bank consisted of five (5) Independent Directors as at 31 December 2025.
9.8.3	Criteria for determining Independence - Complied with ✓ The Bank complied with the criteria for determining the independence of a Director.
9.8.5	Declarations - Complied with ✓ Annual Declaration was obtained from the Board of Directors incorporating the provisions made under the CSE listing rules as at 31 December 2025.
9.9	**Alternate Directors**
	Appointment of Alternate Directors - Complied with ✓ No Alternate Directors were appointed to represent Non-Executive Directors.
9.10	**Disclosures relating to Directors**
9.10.1	Policy on the maximum number of Directorships - Complied with ✓ In terms of direction 3.2 (c) of Banking Act Direction No. 05 of 2024 Corporate Governance issued by the Central Bank of Sri Lanka, Directors should not be Directors of more than twenty (20) companies. As such Directors do not hold Directorships of more than twenty (20) companies / entities / institutions inclusive of Subsidiaries or Associate Companies of the Bank.
9.10.2	Appointment of new Director - Complied with ✓ Nominations and Governance Committee reviews all new appointments. All new appointments are subject to an immediate Market Announcement including the following. (i) a brief resume of such Director. (ii) his/her capacity of directorship; and, (iii) Statement by the Entity indicating whether such appointments have been reviewed by the Nominations and Governance Committee of the Entity

Reference	Requirement Extent of Compliance
9.10.3	Changes to the Composition of Committees - Complied with ✓ Whenever a change in the composition of Human Resources and Remuneration Committee, Board Related Party Transaction Review Committee, Board Audit Committee and Board Integrated Risk Management Committee had taken place, an immediate market announcement had been made on same.
9.10.4	Disclosures in the Annual Report - Complied with ✓ Please refer pages 110 to 117 for the Profiles of the Directors Please refer pages 110 to 117 for Directorships held by the Directors in other companies Please refer page 149 for the Board composition and attendance of Board meetings and Statutory Committees.
9.11	**Nominations and Governance Committee**
9.11.1	Availability of Nominations and Governance Committee - Complied with ✓ The Bank formed a Nominations and Governance Committee complying with the listing Rules which operated throughout the year 2025.
9.11.2	Appointment and re-election of Directors - Complied with ✓ The Committee follows a formal procedure for appointments and re-election of Directors.
9.11.3	Terms of Reference - Complied with ✓ The Committee has adopted Terms of Reference which defines the scope, authority and duties. The Terms of Reference complies with the CSE listing rules.
9.11.4 (1)	Composition - (Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors) - Complied with ✓ The Bank complied with the above requirement throughout the year. The composition of the Nominations and Governance Committee is given on pages 190 to 191.
9.11.4 (2)	Composition - Independent Director shall be appointed as the Chairperson of the Committee. - Complied with ✓ An Independent Director functioned as the Chairman of the Committee throughout the year.
9.11.4 (3)	Composition - The Chairperson and the members of the Committee shall be identified in the Annual Report - Complied with ✓ The Chairman and the members of the Committee are identified in the Nominations and Governance Committee report given on pages 190 to 191.
9.11.5	Functions - Complied with ✓ Functions of the Committee are documented in the Terms of Reference. All functions are effectively discharged by the Committee. Please refer to the Nominations and Governance Committee Report on pages 190 to 191.
9.11.6	Disclosures in the Annual Report - Complied with ✓ Disclosure requirements are covered in the Nominations and Governance Committee Report given on pages 190 to 191.
9.12	**Remuneration Committee**
9.12.1	Definition of Remuneration - Complied with ✓ The Bank has established a formal transparent policy on remuneration and defined remuneration in terms of cash and non-cash benefits.
9.12.2	Remuneration Committee - Complied with ✓ A Human Resources and Remuneration Committee is in place.
9.12.3	Remuneration Policy - Complied with ✓ Remuneration policy laid down the Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.

Reference	Requirement Extent of Compliance
9.12.4	Non-Executive Directors Remuneration for Non-Executive Directors is defined in the Policy.
9.12.5	Terms of Reference - Complied with ✓ The Committee has adopted Terms of Reference which define the scope, authority and duties in compliance with the CSE listing rules.
9.12.6 (1) (a) & (b)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors - Complied with ✓ The composition of the Human Resources and Remuneration Committee during 2025 is given on page 189.
9.12.6 (2)	Composition - Independent Director shall be appointed as the Chairperson of the Committee - Complied with ✓ An Independent Director functioned as the Chairman of the Committee.
9.12.7	Functions - Complied with ✓ The Bank has documented the functions of the Committee in the Terms of Reference. All functions are effectively discharged by the Committee. Please refer Human Resources and Remuneration Committee Report on page 189.
9.12.8	Disclosures in the Annual Report - Complied with ✓ Disclosure requirements are covered in the Human Resources and Remuneration Committee Report given on page 189.
9.13	**Audit Committee**
9.13.1	Audit and Risk Committees - Complied with ✓ The Bank has established separate Committees to perform the Audit and Risk Functions.
9.13.2	Terms of Reference - Complied with ✓ The Committee has adopted Terms of Reference which define the scope, authority and duties.
9.13.3 (1) & (4)	Composition - A Minimum of three (3) Directors, out of which a minimum of two (2) or a majority of the members, whichever higher, shall be Independent Directors - Complied with ✓ The Bank complied with the requirement in the CSE listing rules throughout the year. The composition of the Audit Committee during 2025 is given on pages 183 to 186 Board Audit Committee Report.
9.13.3 (2)	Composition - The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors - Complied with ✓ As per the Board Audit Committee Charter, the quorum for a meeting would be two members and majority of those in attendance to be Independent Directors. Throughout the year, the majority of attendees at all meetings were Independent Directors. The Bank revised its Terms of Reference to align with the requirements of the CSE Listing Rules.
9.13.3 (3)	Composition - The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market - Complied with ✓ The Committee met Fourteen (14) times during the year. The Committee reviewed the quarterly and annual financial statements and recommended the same to the approval of Board of Directors prior to releasing the same to market.
9.13.3 (4)	Composition - Independent Director shall be appointed as the Chairperson of the Committee - Complied with ✓ An Independent Director functioned as the Chairman of the Committee throughout the year.
9.13.3 (5)	Composition - The CEO and the CFO shall attend the Audit Committee meetings by invitation - Complied with ✓ The Director/CEO and Chief Financial Officer attend Board Audit Committee meeting by invitation.
9.13.3 (6)	Composition - The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body - Complied with ✓ The Director who functioned as the Chairperson of the Board Audit Committee during the year is a member of recognised Professional Accounting body.

Reference	Requirement Extent of Compliance
9.13.4	Functions - Complied with ✓ The Bank has documented the functions of the Committee in the Audit Committee Charter. These functions are effectively discharged by the Committee as disclosed in the Board Audit Committee Report on pages 183 to 186.
9.13.5	Disclosures in the Annual Report - Complied with ✓ Disclosure requirements are covered in the Board Audit Committee Report given on pages 183 to 186.
9.14	**Related Party Transactions Review Committee**
9.14.1	Availability of Related Party Transactions Review Committee - Complied with ✓ A Related Party Transactions Review Committee is in place complying with the CSE Listing Rules.
9.14.2	Composition - A minimum of three (3) Directors, out of which two (2) members shall be Independent Directors. The committee may also include Executive Directors. An Independent Director shall be appointed as the Chairperson of the Committee - Complied with ✓ The Bank complied with the requirement throughout the year. The composition of the Related Party Transactions Review Committee during 2025 is given in the Related Party Transactions Review Committee Report in pages 192 to 193. Also an Independent, Non Executive Director functioned as the Chairman of the Committee throughout the year
9.14.3	Functions - Complied with ✓ The Related Party Transactions Review Committee is responsible for reviewing Related Party Transactions, to ensure the interests of shareholders as a whole are taken into account when entering into Related Party Transactions. The Committee has established and maintained a policy, procedure and process for the identification, clarification and reporting the Related Party Transactions. Please refer Related Party Transactions Review Committee Report on pages 192 to 193.
9.14.4 (1)	General requirements - The Committee shall meet at least once a calendar quarter - Complied with ✓ The Committee met four (4) times during 2025. The minutes of all meetings are properly documented and tabled at the subsequent Board meetings for ratification.
9.14.4 (2)	General requirements - The Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions - Complied with ✓ The Committee has adequate knowledge and expertise to assess all aspects of Related Party Transactions
9.14.4 (3)	General requirements - Approval by Board of Directors - Complied with ✓ Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which have been reviewed by the Committee.
9.14.4 (4)	General requirements - Conflict of Interest - Complied with ✓ The Related Party Transactions Review Committee oversees the process relating to the said subject. Steps have been taken by the Board to avoid any conflicts of interest that may arise in transacting with related parties. Directors make declarations to the Board about their material interest in business transactions at the time of appointment and thereafter on a quarterly basis. Directors do not participate in, and excuse themselves from the Meeting, when the Board considers any matters in which transactions with related entities are discussed and where a conflict in interest may arise.
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee - Complied with ✓ The Committee considers the provision of the said listing rules when reviewing related party transactions.

Reference	Requirement Extent of Compliance
9.14.6	Shareholder Approval - Complied with ✓ A situation to obtain shareholder approval as per the CSE listing rules has not arisen during the year.
9.14.7	Immediate Disclosures - Complied with ✓ A situation has not arisen where immediate disclosure is required to be made as per the CSE listing rules.
9.14.8	Disclosures in the Annual Report - Complied with ✓ Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on pages 192 to 193.
9.14.9	Acquisition and Disposal of assets from/to related parties - Complied with ✓ The Bank has not acquired/disposed substantial assets from/to related parties.
9.14.10	Exempted Related Party Transactions - Complied with ✓ The provisions of the sections are considered when evaluating the Related Party Transactions by the Committee
9.16	**Additional Disclosures**
9.16	Annual Report of the Board of Directors included in the disclosures - Complied with ✓ (i) Declaration of all material interest (ii) Review of internal controls and compliance controls (iii) Compliance with laws, rules and regulations (iv) Material Non-Compliances Material non-compliance with any Law or Regulation has not arisen during the year 2025. Disclosure requirements are covered in the Annual Report of the Board of Directors given on pages 204 to 212.

Statement of Compliance – Code of Best Practices on Corporate Governance 2023 Issued by the Institute of Chartered Accountants of Sri Lanka

The Bank is committed to upholding the highest standards of ethical conduct, integrity and accountability in all aspects of its governance framework. In this context, the Bank has voluntarily adopted the Code of Best Practices on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), in addition to maintaining full compliance with the mandatory governance requirements prescribed by the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE). This voluntary adoption reflects the Bank's dedication to strengthening Board stewardship, enhancing oversight structures and ensuring responsible and transparent decision making across all levels of the organisation.

The 2023 Code is structured under three key areas—The Company, Shareholders, and Other Matters—and outlines a comprehensive set of principles covering Board leadership and remuneration, shareholder engagement, accountability, audit, cyber security, sustainability and broader ESG considerations. The Bank's adherence to these principles, together with explanatory commentary, is presented in the sections that follow and demonstrates the Bank's ongoing commitment to principled, ethical and forward looking governance practices.

Rule No.	Requirement Description	Management Comment	Status
Part 1 – The Bank			
Section A — Board Leadership, Composition and Effectiveness			
A.1	Effective Board Leadership Driving Strategic Direction and Control of the Bank	The Bank is led by an experienced Board that provides strong strategic leadership and disciplined oversight across key areas including strategy, performance, risk, internal control, compliance and stakeholder stewardship. This governance responsibility is anchored in a well established framework that ensures decisions are transparent, accountable and aligned with long term objectives. Board oversight is further strengthened through a structured network of Committees such as the Audit, Integrated Risk Management, Nominations & Governance, Human Resources & Remuneration, Related Party Transactions Review, Strategic Planning, Information Technology Steering, Credit, Recoveries and Sustainability Committees. Each Committee delivers focused supervision within its mandate and reports to the Board on a scheduled basis to support effective governance and informed decision making.	Complied
A.1.1	Regular Board Meetings and Structured Information Flow	The Board convenes at regular monthly intervals and holds additional meetings whenever circumstances require closer oversight. During the year, the Board met on fifteen occasions, including three special meetings convened to address urgent or priority matters. All scheduled Board and Committee meetings are planned well in advance. Details of Directors' attendance at Board and Committee meetings are presented on page 149. Board papers covering financial, operational, risk, compliance, ICT, ESG and governance matters were distributed at least seven days in advance to support thorough review and effective decision making. Matters requiring follow up were carried forward and addressed under 'Matters Arising' at subsequent meetings, supporting continuity and accountability. This structured reporting process ensures the Board remains fully informed of all material developments relevant to the Bank's governance and stewardship responsibilities.	Complied

Rule No.	Requirement Description	Management Comment	Status
A.1.2	Providing Entrepreneurial leadership and oversight across strategy, leadership capability, succession, budgets and capex, delegated authorities, internal controls, cybersecurity, ICT roadmap, compliance, stakeholder interests, ESG, accounting policies, performance monitoring and corporate reporting.	The Board provides strategic leadership within a framework of effective controls, enabling the Bank to pursue sustainable performance while managing risk responsibly. In 2025, the Board discharged its responsibilities in accordance with the CA Sri Lanka Code of Best Practice, as outlined below. Strategic Leadership and Business Direction The Board, supported by the Board Strategic Planning Committee (BSPC), approved the Bank's medium term strategy focused on improving core profitability, prudent loan growth, accelerated digitalisation and stronger sustainability integration. The BSPC contributed by assessing strategic options, validating key assumptions and overseeing the planning process before submission to the Board. Strategy execution was carried out through cross functional initiatives led by senior management, strengthened by clear organisation wide communication to maintain alignment. The Bank's 2025 results reflect the progress achieved under this strategic direction and the governance provided by the BSPC. Board Chair and Senior Independent Director Given that the Chairman serves in a non executive, non independent capacity, the Bank appointed a Senior Independent Director (SID) in line with the CBSL Corporate Governance Direction, ensuring appropriate balances. Capability of CEO and Key Management Personnel(KMP) The Board Nominations and Governance Committee (BNGC) and the Board Human Resources and Remuneration Committee (BHRRC) assess the skills and experience of the CEO and the Leadership team to ensure they are equipped to implement the Bank's strategy effectively. The leadership team possesses deep banking and financial sector experience. Succession Planning Succession plans for key leadership roles were reviewed and filled few key roles during 2025, supported by leadership development, talent assessments and succession readiness evaluations overseen by the BNGC. Budgets and Major Capital Expenditure The Board, with input from the Board Strategic Planning Committee (BSPC), reviewed and approved the Bank's annual budget. The BSPC's role focused on assessing the budget's alignment with the Bank's strategic direction and recommending it to the full Board for approval. During the year, the Board monitored budget performance and directly approved major capital investments, including digital upgrades, systems modernisation and efficiency improvements. All key budget decisions and capital expenditures were sanctioned by the Board.	Complied

Rule No.	Requirement Description	Management Comment	Status
		Delegated Authority and Reserved Matters The Board retains authority for specified matters, while delegating defined responsibilities to Management under a formal Delegated Authority Framework. The Board Committees such as Audit, Integrated Risk Management, IT Steering, HR & Remuneration and Nominations & Governance provide structured oversight to support this delegation. Internal Controls, Cybersecurity, Business Continuity and Risk Management Oversight of internal controls and risk management was maintained through regular reporting from the Board Audit Committee(BAC), the Board Integrated Risk Management Committee (BIRMC) and Internal Audit. The Bank's Capital Adequacy Ratios reflect the strength of its risk governance practices. Enhancements to cybersecurity, system resilience and technology governance were advanced through the ICT roadmap and monitored by the IT Steering Committee. ICT Roadmap Oversight The Bank maintained an ICT roadmap aligned to its business strategy, focusing on digital modernisation, automation, cybersecurity and advanced platform adoption. The Board oversaw its implementation, supported by regular dashboard reporting on progress and emerging risks. The Board Information Technology Steering Committee (BITSC) enhanced this oversight by guiding technology priorities, monitoring execution and reviewing ICT related risks. This structured governance ensured effective delivery of the Bank's digital agenda. Compliance with Regulatory and Ethical Obligations The independent Compliance function submitted quarterly reports to the Board and Committees, ensuring adherence to CBSL directions, CSE Listing Rules, Code of Best Practice of ICASL and other regulatory requirements, while promoting a culture of ethical and compliant conduct across the Bank. Stakeholder Consideration in Decisions In all major decisions, the Board considered the interests of shareholders, customers, employees, regulators and communities. This was particularly relevant in addressing the economic and social impacts of Cyclone Ditwah and in supporting affected customers and SMEs. Sustainability, ESG Risk and Integrated Reporting The Board continued to strengthen the Bank's sustainability agenda, including the expansion of green financing, climate risk assessment and resource efficiency initiatives. Annual disclosures follow an integrated reporting structure that reflects financial and non financial value creation.	

Rule No.	Requirement Description	Management Comment	Status
		Accounting Policies and Financial Reporting Integrity The Board ensured consistency and appropriateness of accounting policies and maintained oversight of financial reporting integrity through the Audit Committee, which reviewed critical judgements, estimates and regulatory reporting requirements. Monitoring Progress on Strategy, Budgets and Risks Throughout the year, the Board reviewed strategic progress, budget variance analyses and principal risk exposures through structured updates from the CEO, Business Heads and senior leadership. Corporate Reporting Quarterly and annual reports were prepared and published in compliance with CBSL and CSE requirements, supported by transparent disclosures on financial performance, governance, risk and sustainability. Other Responsibilities The Board undertook all additional responsibilities required of a licensed commercial bank of the Bank's size and complexity, including oversight of capital planning, liquidity management, customer protection, digital resilience strengthening and recovery preparedness.	
A.1.3	Procedure for Directors to obtain independent professional advice at company expense.	The Board, both collectively and individually, conducts its affairs in full accordance with the laws, regulations and supervisory requirements applicable to licensed commercial banks in Sri Lanka. Upholding legal and regulatory compliance is a fundamental expectation of all Directors and is reinforced through periodic updates from the Compliance and Legal functions, as well as through structured oversight mechanisms established by the Board. A Board approved procedure is in place that allows any Director to request independent professional advice at the Bank's expense when such advice is considered necessary to support informed, objective decision making. All requests are made through the Company Secretary, who facilitates the engagement with suitably qualified external advisors while ensuring transparency, consistency and adherence to governance protocols.	Complied
A.1.4	Access to Company Secretary Maintenance of minutes and Directors and Officers insurance	The Directors have unrestricted access to the Company Secretary, who ensured full compliance with statutory and governance requirements, supported Board and Board Committee processes and maintained comprehensive and timely minutes of all Board meetings. The Directors' and Officers' Liability Insurance was maintained throughout 2025 in accordance with best practice.	Complied
A.1.5	Independent Judgement	The Directors are expected to exercise independent judgement in all deliberations. This independence is supported through a robust conflicts of interest framework, which includes periodic declarations and mandatory withdrawal from discussions or decisions where a conflict is identified.	Complied

Rule No.	Requirement Description	Management Comment	Status
A.1.6	Directors Dedicate Adequate Time and Effort.	Every Director devoted the time and effort required to fulfil their responsibilities throughout 2025. They participated actively in meetings of the Board and its Committees, and, when necessary, contributed to decisions made through circular resolutions to ensure the uninterrupted conduct of the Bank's affairs. Board documentation was made available at least seven days in advance, providing Directors with sufficient time to study the material and prepare for discussions. Any request for clarification or further information was channelled through the Company Secretary, who coordinated with the appropriate members of Management to obtain and circulate the required details promptly. Items requiring continued oversight were captured and revisited under 'Matters Arising' at subsequent meetings to ensure proper follow through. In addition, Business Heads provided periodic updates on developments within their respective areas, enabling the Board to remain fully informed of operational progress, emerging risks and key strategic considerations.	Complied
A.1.7	Opportunity to make suggestions	If required in the best interests of the Bank, any Director can bring matter to be discussed at the Board Meetings through the Company Secretary to the Board. This provision ensures that significant matters can be formally brought before the Board for consideration, supporting transparency and collective decision making.	Complied
A.1.8	Board Induction and Ongoing Training	The Bank provides a structured induction for all newly appointed Directors and ensures continuous professional development to support effective Board performance. Periodic training and briefing sessions enhance Directors' understanding of governance, regulatory changes, industry trends and emerging risks. Director induction and development activities are coordinated by the Company Secretary, in consultation with the BNGC, with training needs reviewed regularly to ensure relevance and effectiveness.	Complied
A.2	Clear Division of Responsibilities between Chair and CEO.	The Bank maintains a strong separation between governance and management by assigning the roles of Chairman and Chief Executive Officer to two different individuals. Their responsibilities are clearly defined, promoting effective oversight by the Board while enabling the CEO to manage day to day operations without compromising independence or accountability.	Complied
A.3	Chairman to ensure orderly and effective Board proceedings.	The Chairman provides leadership to the Board by guiding its proceedings and fostering an environment that supports open and constructive discussion. Directors are appropriately briefed on agenda items, enabling high quality dialogue and well informed decision making aligned with the Bank's strategic objectives.	Complied

Rule No.	Requirement Description	Management Comment	Status
A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance	The Board collectively possesses strong financial and accounting expertise, demonstrated through the presence of several Directors with professional qualifications and extensive experience in banking, finance and risk management. This depth of financial acumen supports rigorous oversight of strategy, capital management and financial reporting. The Board Audit Committee comprised exclusively of Non Executive Directors and chaired by a Fellow of the Institute of Chartered Accountants of Sri Lanka provides independent, disciplined scrutiny of financial statements, internal controls and audit processes, reflecting the Bank's commitment to robust governance and high quality financial stewardship.	Complied
A.5	Board Balance	The Board comprised eight Directors consisting of five Independent Non Executive Directors, two Non Executive Non Independent Directors and one Executive Director throughout the year 2025. This structure ensured a strong balance between independent oversight and executive representation, in line with the expectations of the CA Sri Lanka Code of Best Practice on Corporate Governance.	Complied
A.5.1 – A.5.5	Independent Directors and annual independence determination.	The Board comprised one Executive Director and seven Non Executive Directors, including five Independent Non-Executive Directors throughout the year 2025, ensuring strong independent oversight and preventing undue influence. Independence is confirmed annually through formal declarations submitted by each Non Executive Director and evaluated by the Board against all regulatory criteria. All declarations were received during the year, and no impairments to independence were identified. Directors are not permitted to serve beyond nine years or reaching of 70 years which ever occur first under the Banking Act, supporting regular Board refreshment. To further strengthen governance, a Senior Independent Director provides an additional channel for Board communication, and the Board periodically reviews its composition to maintain an appropriate mix of skills, experience and diversity.	Complied
A.5.6	Alternate Director criteria	Policies governing the appointment and independence of Alternate Directors are established and maintained. No Alternate Directors were appointed during the year 2025.	Complied
A.5.7 – A.5.8	Senior Independent Director	A Senior Independent Director (SID) has been appointed in line with the Corporate Governance Directions issued by the Central Bank of Sri Lanka, providing an additional channel for governance oversight and stakeholder engagement, given that the Chairperson serves as a Non Executive, Non Independent Director.	Complied
A.5.9	Board Chair Meetings with Non Executive Directors	The Board Chairman meets with Non Executive Directors as required, creating an opportunity for open discussion on matters relating to executive performance, governance, and Board dynamics.	Complied

Rule No.	Requirement Description	Management Comment	Status
A.5.10	Recording of a Dissent Views	Dissenting views expressed during Board discussions are recorded in detail in the minutes. Where decisions are not unanimous, the concerns raised by Directors are also documented to ensure transparency. Directors are given adequate opportunity to review and comment on draft minutes prior to confirmation, ensuring that their views are accurately and comprehensively reflected.	Complied
A.6.1 – A.6.2	Provision of Timely and Adequate Information to the Board	The Bank ensures that the Board receives comprehensive, accurate and timely information to support effective oversight and decision making. Detailed Board papers covering financial performance, strategic progress, risk matters, operational updates and key proposals are circulated well in advance of each scheduled meeting, enabling Directors to review and analyse relevant material thoroughly. Urgent or time sensitive information is shared with Directors through secure communication channels as required, ensuring that the Board remains informed of significant developments without waiting for the next meeting cycle. Members of the senior management team present on key topics and provide clarifications when needed, facilitating deeper Board engagement on matters of strategic importance. Directors also have unrestricted access to Management for further information or clarification and may seek independent professional advice at the Bank's expense where they consider it necessary to discharge their duties effectively.	Complied
A.7.1	Nominations and Governance Committee	The Board has established a BNGC in compliance with the Listing Rules of the Colombo Stock Exchange and the Banking Act. The Committee comprises three Non Executive Directors, two of whom are Independent Directors. The Committee is chaired by an Independent Non Executive Director, ensuring impartial oversight in recommending new Board appointments and in evaluating candidates for the positions of Chief Executive Officer and the KMPs.	Complied
A 7.2	Ensuring Board Appointees are Fit and Proper	A formal, Board approved policy governs the selection and appointment of Directors, supported by a structured evaluation process aligned with applicable regulatory requirements. The BNGC reviews the composition of the Board against defined criteria covering experience, integrity, competence, diversity and industry relevance. Emphasis is placed on maintaining diversity in gender, age, professional background and perspectives. The members of the BNGC do not participate in decisions relating to their own appointment or reappointment.	Complied

Rule No.	Requirement Description	Management Comment	Status
A 7.3	Succession Planning	The Bank has a Board approved succession plan for the Chief Executive Officer and all Key Management Personnel, identifying both first level and second level successors for each position. The BNGC oversees this framework, reviews and recommends potential successors to the Board, and ensures their continued readiness through structured development initiatives. Identified successors are supported through targeted training, coaching and mentoring programmes to strengthen leadership continuity and enhance organisational resilience.	Complied
A 7.4	Disclosure of New Board Appointments to Shareholders	All new appointments of Directors or Alternate Directors are disclosed to shareholders in accordance with the Listing Rules of the Colombo Stock Exchange, ensuring full transparency. There were no new appointments to the Board during 2025.	Complied
A 7.5	Disclosure of Committee Membership in the Annual Report	The detailed report of the BNGC includes details of the committee membership, responsibilities and activities is given on pages 190 to 191.	Complied
A.8.1 – A.8.2	Re-election of Directors	The Bank complies with the requirement that all Directors submit themselves for re election at regular intervals. The BNGC oversees this process and evaluates each Director retiring by rotation based on fitness and propriety, independence, attendance, contribution and alignment with the Board's skills requirements, prior to recommending their re election to the Board. All Directors at the first AGM following their appointment and thereafter at intervals not exceeding three years. The Bank ensures that shareholders receive the necessary information to make an informed decision, with the Annual Report providing a detailed resume of each Director proposed for election or re election, including qualifications, experience, independence status and other directorships, as required under the Code. Through these structured processes and transparent disclosures, the Bank ensures disciplined Board renewal, regulatory compliance and strong governance continuity.	Complied
A 8.3	Resignation of a Director	The Bank confirms that no director resigned during the financial year 2025. The Bank maintains a formal process whereby any Director who steps down before completing their appointed term is required to provide a written statement to the Board explaining the reasons for such resignation. This framework supports transparency and good governance and will be followed should any resignation arise in the future.	Complied

<table>
<tr><th>Rule No.</th><th>Requirement Description</th><th>Management Comment</th><th>Status</th></tr>
<tr><td>A.9.1 – A.9.4</td><td>Self-evaluation process of Board Members and Board subcommittees</td><td>The Bank completed its annual self evaluation of the Board for the year under review, with each Director submitting a structured questionnaire to assess the effectiveness of Board operations, oversight and individual contribution. The results were discussed by the Board, and improvement actions have been incorporated into ongoing governance enhancement efforts.

All Board Subcommittees also carried out their self evaluations, reviewing their performance against respective mandates. Outcomes were discussed at Subcommittee meetings and formally reported to the Board through committee minutes.

The Bank will continue to refine its evaluation approach to remain aligned with evolving governance best practices and support continuous strengthening of Board effectiveness.</td><td>Complied</td></tr>
<tr><td>A.10.1</td><td>Director-level disclosures</td><td>In alignment with the CA Sri Lanka Code of Best Practice on Corporate Governance, the Annual Report provides comprehensive disclosures on the performance of the Board and its Committees, giving stakeholders a transparent view of the Board's composition, capabilities and overall engagement in governance.

<table><tr><th>Information required</th><th>Page Ref.</th></tr><tr><td>Name, qualification and brief profile</td><td>Board of Directors in page 110 to 117.</td></tr><tr><td>Nature of his/her expertise in the relevant functional areas</td><td>Board of Directors in page 110 to 117 expertise is captured within each profile</td></tr><tr><td>Immediate family and/or material business relationships with other Directors of the Bank</td><td>Directors' Interest Register in page 213 and Corporate Disclosures in Corporate Governance Report in page 150.</td></tr><tr><td>Whether Executive, Non Executive and/or Independent Director</td><td>Stated in each profile under Board of Directors in page 110 to 117 and Corporate Governance Report in page 149.</td></tr><tr><td>Names of listed companies in which the Director concerned serves as a Director</td><td>Disclosed in each profile of the Board of Directors in pages 110 to 117.</td></tr></table></td><td>Complied</td></tr>
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<tr><td></td><td></td><td><table><tr><th>Information required</th><th>Page Ref.</th></tr><tr><td>Names of other companies or companies in a group in Sri Lanka in which the Director concerned serves as a Director</td><td>Disclosed in each profile of the director in page 110 to117.</td></tr><tr><td>Board meeting attendance</td><td>Corporate Governance Report in page 149.</td></tr><tr><td>The total number of Board seats held by each Director</td><td>Other directorships in page 110 to 117.</td></tr><tr><td>Board committees served as the Chairperson/member</td><td>Respective Board Committee Reports in pages 183 to 203.</td></tr><tr><td>Committee meeting attendance</td><td>Corporate Governance Report in page 149.</td></tr></table></td><td></td></tr>
<tr><td>A.11.1 – A.11.2</td><td>CEOs KPIs and Performance Evaluation</td><td>Annual Key Performance Indicators (KPIs) are set for the Chief Executive Officer at the beginning of each year, with performance reviewed periodically by the BHRRC and BNGC and recommends to the Board of Directors for approval</td><td>Complied</td></tr>
<tr><td colspan="4">Section B — Remuneration Governance</td></tr>
<tr><td>B.1</td><td>Formal and transparent remuneration procedures</td><td>A Board approved Remuneration Policy governs all remuneration decisions and is administered by the BHRRC.

The Directors do not participate in decisions relating to their own remuneration, ensuring objectivity and maintaining transparency in the Bank’s remuneration framework.</td><td>Complied</td></tr>
<tr><td>B.2</td><td>Level and Make Up of Remuneration</td><td>The remuneration structure for Non Executive Directors is set at a level that is adequate to attract and retain individuals with the expertise and independence required to guide the Bank effectively.

The CEO, being the sole Executive Director, does not receive any additional remuneration for serving on the Board in this ex officio capacity. Consistent with the Bank’s remuneration framework for all employees, the CEO’s remuneration package is designed to align rewards with both corporate performance and individual contribution, ensuring an appropriate balance between short , medium and long term performance outcomes.</td><td>Complied</td></tr>
<tr><td>B 2.1</td><td>Establishment of Remuneration Committee</td><td>The Bank has established a dedicated BHRRC appointed by the Board, which is responsible for overseeing remuneration governance across the organisation. The Committee operates under a Board approved Terms of Reference and ensures that remuneration policies and practices are administered in a structured and transparent manner.</td><td>Complied</td></tr>
<tr><td>B 2.2</td><td>Composition of the Remuneration Committee</td><td>The BHRRC is composed entirely of Non Executive Directors, the majority of whom are Independent. This structure ensures objectivity and independence in all remuneration related deliberations. The Committee is chaired by an Independent Non Executive Director, in line with best practice.</td><td>Complied</td></tr>
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Rule No.	Requirement Description	Management Comment	Status
B 2.3	Consultation and Access to Advice	The Human Resources and Remuneration Committee has full access to internal and external professional advice when required. During the year, the Committee reviewed analytical inputs provided by the Bank's Human Resources Department together with the results of a comprehensive market survey, enabling it to assess current market and industry practices relating to remuneration and benefits for Senior Management.	Complied
B 2.4	Attracting and Retaining Talent	The Committee ensures that remuneration frameworks are competitive and aligned with market practice, enabling the Bank to attract and retain leaders with the appropriate capability and experience required to support strategic goals.	Complied
B.2.5	Structuring Executive Remuneration	Executive remuneration is structured to reinforce the Bank's performance culture by ensuring appropriate balance between fixed and performance linked elements. These reward structures support the Bank's short , medium and long term objectives. The Executive Director serves on the Board by virtue of holding the position of Chief Executive Officer and therefore receives no additional remuneration or benefits for his role as a Director. His remuneration package is determined under the Bank's Remuneration Policy and is linked to Bank wide performance and his individual performance, supporting the achievement of short , medium and long term objectives. In line with sound governance practice, the Executive Director attends BHRRC meetings only by invitation and withdraws from all discussions relating to his own remuneration, ensuring transparency and independence in the Committee's decision making process.	Complied
B 2.6	Market Positioning	The BHRRC periodically reviews benchmark data from comparable institutions to ensure that remuneration and benefit levels remain aligned with market standards while avoiding undue upward pressure inconsistent with actual performance. Accordingly a comprehensive performance based payment survey was carried out in 2025 and the BHRRC considered same in its deliberations and recommendations. The Committee considers internal salary structures and employment conditions when determining annual adjustments, ensuring fairness and alignment across the Bank.	Complied
B 2.7	Internal Pay Equity	The Committee considers internal salary structures and employment conditions when determining annual adjustments, ensuring fairness and alignment across the Bank.	Complied

Rule No.	Requirement Description	Management Comment	Status
B.2.8	Performance Related Remuneration	Performance linked remuneration for the CEO and senior executives is driven by achievement against Board approved KPIs that combine corporate priorities with individual leadership expectations, strengthening accountability and responsible performance across the organisation. The CEO who also serves as the Bank's sole Executive Director, has his annual goals and targets set at the beginning of each year, which are then cascaded across the Bank to ensure alignment with strategic objectives. His remuneration and performance based incentives are determined with reference to the extent to which these agreed targets are achieved. Each year, the Committee evaluates the CEO's performance against the KPIs endorsed by the Board and recommends appropriate adjustments to remuneration, benefits and performance based incentive payments. The Committee also ensures that the Board approved procedures for evaluating Senior Management performance, and for determining their remuneration and incentive outcomes, are applied consistently and transparently throughout the Bank.	Complied
B 2.9	Share Based Rewards	While the Bank does not offer discounted share options to executives, the BHRRC remains responsible for ensuring that any future equity based incentives comply with governance and regulatory expectations.	Complied
B 2.10	Performance Scheme Governance and Claw Back	The Bank's performance based remuneration framework incorporates risk adjusted metrics and prudent governance standards. A formal claw back mechanism, approved by the Board and effective from 1 January 2026, empowers the Bank to recover variable pay in instances such as misconduct or material risk failures.	Complied
B.2.11	Compensation Commitments	The HRRC reviews contractual commitments related to the CEO and senior executives to ensure that termination related payments are reasonable, aligned with governance principles, and do not reward poor performance.	Complied
B 2.12	Fair Treatment in Early Termination	Where termination arrangements are not explicitly defined, the BHRRC ensures outcomes are determined fairly, avoiding undue compensation while considering the circumstances of departure.	Complied
B 2.13	Setting Remuneration for Non Executive Directors	Remuneration for Non Executive Directors is determined by the Board within the parameters of the Bank's Remuneration Policy. Directors do not take part in decisions relating to their own fees, ensuring independence and avoiding conflicts of interest.	Complied
B.2.14	Remuneration of Non Executive Directors	Fees for Non Executive Directors reflect the scope, responsibilities, and time commitments of their roles. These fees exclude performance linked elements to safeguard independence and comply with governance expectations.	Complied
B.2.15	Disclosure of Committee Membership	The composition of the HRRC, including the names of the Chairperson and all Committee members, is disclosed page 189 of the Annual Report, along with a summary of activities undertaken during the year.	Complied

Rule No.	Requirement Description	Management Comment	Status
B.3.1 – B.3.2	Annual Report disclosure of Committee scope, meetings and aggregate Board/KMP pay	Required disclosures on Committee composition, scope and meetings, together with aggregate remuneration of the Board and KMP, are presented in the Annual Report on page 189 and on page 329.	Complied
Section C — Shareholder Relations and General Meetings			
C.1	AGM as a Key Shareholder Communication Forum	The Bank views the Annual General Meeting (AGM) and Other Extraordinary General Meetings (EGMs) as important platforms for constructive dialogue with shareholders and actively encourages their participation. The meeting is conducted in a manner that promotes transparency, informed decision making and clear communication.	Complied
C 1.1	Timely Circulation of the Notice of Meeting and Related Papers	In line with statutory requirements and Listing Rules, the Bank ensures that the Notice of AGM/EGMs and all accompanying documents are circulated to shareholders within the required timelines, allowing adequate time for review and preparation ahead of the meeting.	Complied
C.1.2	Separate Resolutions and Proxy Voting Options	The Bank presents each item of business at the AGM as a separate resolution, including the adoption of the Annual Report and Financial Statements. Proxy forms allow shareholders to vote for or against on each resolution. A copy of the Form of Proxy is given on page 375.	Complied
C.1.3	Proper Recording of Proxy Votes	All valid proxy appointments received for the AGM are recorded and counted with due accuracy. If a notable proportion of votes is recorded against any resolution, the Board evaluates the outcome, seeks to understand the underlying concerns and determines whether further action or additional shareholder engagement is necessary.	Complied
C.1.4	Availability of Committee Chairs and the Senior Independent Director	The Chairpersons of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees, together with the Senior Independent Director, are made available at the AGM to respond to shareholder questions on matters falling within their areas of oversight, as facilitated by the Chairman of the Board.	Complied
C.1.5	Circulation of Voting Procedure Summary	A summary of voting procedures applicable to the AGM including details relating to proxy voting, poll procedures where relevant, and how votes are counted is circulated together with the Notice of Meeting to ensure that shareholders clearly understand how they may exercise their voting rights.	Complied

Rule No.	Requirement Description	Management Comment	Status
C.2	Communication with shareholders	The Bank ensures transparent and timely engagement with shareholders through a Board approved Shareholder Communication Policy, which outlines the Bank's approach to information sharing and investor engagement. The AGM remains the main platform for direct dialogue, while the Company Secretary serves as the primary point of contact for shareholder queries throughout the year. Significant concerns raised by shareholders are escalated to the Board, ensuring they receive appropriate consideration in line with the Bank's governance practices. Written queries are formally acknowledged and responded to, and matters requiring higher attention are handled by the Board Chairman in consultation with the Board and CEO. The Company Secretary updates the Board regularly on shareholder issues if any Directors to remain aware of stakeholder expectations. Contact information for shareholder correspondence is provided in the Annual Report, and the Bank's website including the Investor Relations section offers up to date financial and corporate disclosures, supporting consistent and equitable access to information.	Complied
C.3	Disclosure and Approvals for Major and Material Transactions	The Bank maintains a strong governance framework to identify, assess and approve transactions that may materially affect its financial position. The Bank evaluates proposed transactions to determine whether they meet the thresholds for major or material transactions under the Companies Act and applicable Listing Rules. Where required, the Bank provides shareholders with clear and timely disclosure of the purpose, rationale and implications of such transactions, and seeks the necessary approvals before proceeding. The Board and relevant Board Committees review these proposals to ensure that risks, financial impact and compliance obligations are thoroughly considered. The Bank also adheres to established internal controls and documentation processes, ensuring transparency and accuracy in reporting. When disclosure obligations arise, communication is made through statutory announcements, the Colombo Stock Exchange and the Annual Report, ensuring shareholders have complete and reliable information regarding significant transactions.	Complied
Section D — Accountability, Risk and Audit			
D.1	Financial and Business Reporting	The Bank is committed to presenting a fair, balanced and comprehensive account of its financial performance, position and prospects. Financial and business reporting is carried out in accordance with Sri Lanka Accounting Standards and relevant regulatory requirements, supported by strong internal controls and oversight mechanisms. The Annual Report provides shareholders with a clear understanding of the Bank's business model, governance structures, risk management practices and strategic direction, ensuring transparency and accountability in all disclosures.	Complied

Rule No.	Requirement Description	Management Comment	Status
D.1.1	True, Fair, Balanced and Understandable Annual Report	The Bank presents its Annual Report and Financial Statements in a manner that is true, fair and aligned with applicable Sri Lanka Accounting Standards. The Report provides a balanced view of performance, strategy, governance and risks, supported by independently audited financial statements. The Board confirms that adequate processes are in place to ensure the reliability and accuracy of disclosures. The declarations by the Directors as required by the Code of Best Practice on Corporate Governance are provided on page 214 in the 'Statement of Directors' Responsibilities for Financial Reporting.	Complied
D.1.2	Balanced and Understandable Interim Reports and Regulatory Filings	Beyond the Annual Report, the Bank issues interim financial statements and other regulatory disclosures that provide clear, accurate and timely updates on financial performance. These statements are prepared under the same rigorous internal controls and governance processes applied to the Annual Report, ensuring consistency and transparency.	Complied
D.1.3	CEO's and CFO's Declaration on Financial Reporting and Internal Controls	Before the Board approves the financial statements, the CEO and CFO provide written assurance confirming that the financial records have been properly maintained, that the statements comply with applicable accounting standards and regulatory requirements, and that internal controls and risk management systems operated effectively during the year 2025.	Complied
D.1.4	Directors' Responsibility Statement	The Board affirms in its Directors' Responsibility Statement that the Bank has complied with laws and regulations, maintained proper accounting records and acted in the best interest of shareholders. The Directors confirm adherence to good governance practices, review of internal control effectiveness and the continued adoption of the going concern assumption with due consideration of macroeconomic conditions. The relevant declarations are given in Annual Report of the Board of Directors on the Affairs of the Bank in pages 204 to 212.	Complied
D.1.5	Statement on the Board's Responsibilities and Internal Control	The Annual Report contains a detailed statement on the Board's responsibilities relating to financial reporting, internal controls and risk management. This includes assurance from the Board Audit Committee and the External Auditors' report on the Bank's internal control over financial reporting. These disclosures reinforce accountability and provide stakeholders with confidence in the Bank's governance framework. The Directors Responsibility for Financial Reporting, Directors' Statement on Internal Controls over Financial Reporting and Report of the External Auditors on Bank's Internal Controls are provided on pages 180 and 182 respectively.	Complied
D.1.6	Management Discussion & Analysis (MD&A)	The MD&A section provides comprehensive insights into the Bank's business model, market conditions, strategic performance, internal controls, risk management practices, sustainability initiatives, human capital development and future outlook. This narrative complements the financial statements by offering shareholders deeper visibility into operational performance and priorities for the coming years.	Complied

Rule No.	Requirement Description	Management Comment	Status
D.1.7	Disclosure on Where Net Assets Fall Below 50% of Shareholders' Funds	During the year 2025 the Bank's net assets did not fall below 50% of shareholders' funds. Accordingly, no additional disclosures or shareholder notifications were required under this provision. The Bank continues to maintain a strong capital base, as evidenced by its improved profitability and growth in shareholders' equity.	Complied
D.1.8	Related Party Transactions (RPT) Disclosure	A comprehensive Corporate Governance Report sets out the extent of compliance with regulatory directions and best-practice codes, together with Committee reports and related disclosures.	Complied
D.2	**Risk Management and Internal Control**		
D.2	Risk Management and Internal Control	The Board has established a comprehensive, enterprise wide risk management framework and internal control system aligned with strategic objectives and regulatory expectations, overseen primarily through the BIRMC and BAC.	Complied
D.2.1	Adopt a risk management framework and assign responsibilities	A Board approved framework governs risk identification, assessment, monitoring and mitigation across credit, market, liquidity, operational, IT/ cyber, compliance and ESG risks. Responsibilities are clearly delegated to the CRO and risk units.	Complied
D.2.1.1	Robust assessment of principal risks:	The Bank conducted robust assessments including stress testing, scenario modelling and climate related overlays following Cyclone Ditwah, updating risk parameters.	Complied
D.2.1.2	Disclosure of framework/processes	The Annual Report explains the Bank's risk framework, governance structure, oversight responsibilities and mitigation approaches, including ICAAP and KRIs.	Complied
D.2.1.3	Establish a Risk Committee	The Board Integrated Risk Management Committee (BIRMC) is established, chaired by an INED and includes majority NEDs; CEO/Functional heads attend by invitation.	Complied
D.2.1.4	Regulatory requirements/industry risks	Risk oversight incorporates CBSL guidelines, Basel III requirements and industry specific risk considerations.	Complied
D.2.1.5	Appropriate Composition of Risk Committee	The BIRMC is comprised of three NEDs, majority independent, with the Chair being an INED during the year 2025.	Complied
D.2.1.6	Written ToR for Risk Committee	BIRMC operates under a Board approved ToR covering risk culture, risk appetite, KRIs, information security, BCP and ESG related risks.	Complied
D.2.1.7	Include Risk Committee Report in Annual Report	A detailed BIRMC Report outlining activities, oversight responsibilities and key risk matters is included in pages 187 and 188.	Complied
D.2.1.8	Align with regulated industry requirements	As a licensed commercial bank, Pan Asia Bank fully aligns risk oversight with Banking Act Directions and CBSL regulations.	Complied
D.2.2	Establish internal controls	The Bank's internal control framework is structured around a clearly defined Three Lines Model, ensuring effective risk management, accountability and oversight across all functions. The design and operating effectiveness of these controls are reviewed regularly through independent assessments conducted by the Internal Audit Department, with findings and improvement actions reported to the Board Audit Committee for ongoing monitoring and oversight.	Complied

Rule No.	Requirement Description	Management Comment	Status
D.2.2.1	Annual review of internal controls & report in Annual Report	The Directors issue an annual Statement on Internal Controls, confirming the effectiveness of the Bank's internal control framework. This statement is supported by an independent assurance review performed by the external auditors in accordance with SLSAE 3050.	Complied
D.2.2.2	Maintain internal audit function	A fully independent Internal Audit Department Headed by the Chief Internal Auditor executes a risk based plan approved by the BAC.	Complied
D.2.2.3	Audit Committee to review internal controls	The BAC reviews internal controls, reporting findings and recommendations to the Board.	Complied
D.2.2.4	Follow CA Sri Lanka guidance on internal controls	Directors' Statement on pages 180 and 181 follows CA Sri Lanka guidelines.	Complied
D.3	**Audit Committee**		
D.3	Audit Committee – independence, financial reporting, oversight	The Board Audit Committee consists entirely of Non Executive Directors, with Independent Directors forming the majority. It is chaired by an Independent Non Executive Director who is a member of a recognised professional accounting body, ensuring strong technical expertise and independent oversight. During 2025, the Committee met 14 times, providing oversight across financial reporting integrity, internal control effectiveness, internal audit performance, external audit engagement and regulatory compliance.	Complied
D.3.1	Establish Audit Committee with proper composition	The Board has established an Audit Committee comprising exclusively Non Executive Directors, with Independent Directors forming the majority. The Committee is chaired by an Independent Non Executive Director who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, ensuring the required independence and professional competence. This composition fully satisfies regulatory and governance criteria, enabling robust oversight of financial reporting, internal controls and audit functions. The profiles of the Board of Directors are given on pages 110 to 117.	Complied
D.3.2	Written ToR for Audit Committee	The Audit Committee operates under a Board approved Charter that clearly sets out its authority and responsibilities. The Charter covers key areas including financial reporting integrity, oversight of internal and external audits, review of internal controls, policy changes, going concern assessments and compliance with applicable regulatory requirements.	Complied
D.3.3	Disclose BAC work, membership & activity	The Report of the BAC detailing the Committee's membership, meeting attendance, key matters considered during the year, and the Committee's evaluation of the external auditors is given on pages 183 and 186.	Complied
D.4	**Risk Committee**		
D.4	Risk Committee – oversight of risk culture, appetite and management	The BIRMC discharges all responsibilities expected of a separate Risk Committee under the Code.	Compliant
D.4.1	Establish Risk Committee with proper composition	The BIRMC comprises of three NEDs, the majority of whom are independent. The CEO, CFO, and CRO attend meetings of the BIRMC when required.	Complied
D.4.2	Written ToR covering risk oversight criteria	ToR covers risk appetite, KRIs, insurance, information security, emerging risks and ESG related exposures.	Complied

Rule No.	Requirement Description	Management Comment	Status
D.4.3	Meet at least quarterly	The BIRMC met five times during the year 2025.	Complied
D.4.4	Authority to seek external advice	The Committee is authorised to seek independent professional advice where necessary.	Complied
D.4.5	Include Risk Committee Report	The Report of the BIRMC is included in pages 187 to 188 of the Annual Report.	Complied
D.5	**Board Related Party Transactions Review Committee**		
D.5	Related Party Transactions Review Committee	All Related Party Transactions were reviewed by the Related Party Transactions Review Committee, which comprises only Non Executive Directors with a majority being Independent Directors. The Committee confirmed that no transactions during 2025 required shareholder approval under the applicable CSE Listing Rules. The Report of the BRPTRC is given on the pages 192 to 193.	Complied
D.5.1	RPT Policy and declarations	The Bank operates under a Board approved Related Party Transactions Policy that sets out the processes for identifying, classifying, approving, monitoring and disclosing related party transactions. These procedures ensure full compliance with the Corporate Governance Direction 2024, Section 9 of the Colombo Stock Exchange Listing Rules on Corporate Governance, and the identification and disclosure requirements of LKAS 24. In accordance with LKAS 24, the Bank uses the standard definitions for identifying related parties and related party transactions. All Directors and Key Management Personnel submit quarterly and annual declarations of their related party interests, with such interests recorded in the Directors' Interest Register, as disclosed in the Annual Report on page 213. The Related Party Disclosures presented in Note 55 to the Audited Financial Statements have been prepared in full compliance with LKAS 24, ensuring transparent reporting of balances and transactions with related parties during the year 2025.	Complied
D.5.2	Establish RPT Committee with correct composition	The Committee comprises only NEDs with a majority independent; chaired by an Independent NED. The committee met four times during 2025.	Complied
D.5.3	Maintain RPT Terms of Reference (ToR) documentation & escalation	The Bank has a Board-approved ToR and a Board-approved Related Party Transactions Policy in place which addresses requirements under this Code. The ToR governs identification, documentation, review, immediate disclosure triggers, and shareholder approval thresholds under CSE Rules.	Complied
D.6	**Code of Business Conduct and Ethics**		
D.6	Code of Business Conduct & Ethics – Adoption, Compliance and Reporting	A comprehensive Board approved Code of Business Conduct & Ethics applies to all Directors, Key Management Personnel and employees. The Code sets expectations relating to ethical behaviour, integrity, conflict of interest management and regulatory compliance. Compliance with the Code is monitored through established internal reporting channels, including the Compliance function and oversight by the Board Audit Committee, which reviews any reported concerns or breaches. No significant violations were reported during 2025.	Complied

Rule No.	Requirement Description	Management Comment	Status
D.6.1	Adoption of the Code and Obtaining Annual Affirmations	Annual declarations are obtained from all Directors and KMPs confirming their compliance with the Code of Conduct, the maintenance of independence, adherence to fit and proper criteria, and the disclosure of any conflicts of interest.	Complied
D.6.2	Processes for handling price sensitive information	The Bank has established processes to ensure that material and price sensitive information is promptly identified, assessed and reported in accordance with applicable regulatory requirements.	Complied
D.6.3	Policy on share trading	The Bank maintains a Board approved Code of Business Conduct and Ethics, which includes rules governing trading in the Bank's listed securities by Directors, KMPs and employees. The policy prohibits trading based on unpublished price sensitive information and sets out connected party requirements in line with regulations. Compliance is monitored by the Company Secretary, and the policy is communicated across the organisation.	Complied
D.6.4	Whistleblowing Policy	The Bank's Whistleblowing Policy is formally approved by the Board and published for stakeholder access, and the Board Audit Committee ensures that all whistleblowing complaints are independently investigated and that appropriate follow up actions are implemented.	Complied
D.6.5	Training on Code of Business Conduct and Ethics	Training on the Bank's Code of Business Conduct and Ethics is incorporated into the induction programme for all new employees and is reinforced through ongoing capability building initiatives to ensure continued awareness and adherence.	Complied
D.6.6	Disclosure of dissemination, violations, actions	The Bank reports regularly to the Board on the dissemination of governance policies, including training coverage and awareness initiatives. Any identified violations or non compliances, together with corrective actions taken, are also escalated to the Board to ensure ongoing oversight and accountability. No material violations occurred in 2025.	Complied
D.6.7	Chairman's affirmation in Annual Report	The Chairman, the Chairman of the BAC and the CEO sign the Directors Statement on Internal Controls (page 180) affirming governance and ethical compliance.	Complied
D.7	Corporate Governance Disclosures	The Bank complies with all applicable Corporate Governance requirements issued by the Central Bank of Sri Lanka, CA Sri Lanka and the Colombo Stock Exchange. The Bank meets these disclosure obligations through its comprehensive Corporate Governance Report presented on pages 127 to 179, together with supporting disclosures including the Directors' Statement on Internal Controls (page 180), the External Auditors' Assurance Report (page 182) and the full suite of Board Committee Reports (pages 183 to 203). Collectively, these sections outline the governance framework, Board responsibilities, committee activities and the extent of adherence to the Code during 2025, providing shareholders with a transparent and complete overview of the Bank's governance practices.	Complied

Rule No.	Requirement Description	Management Comment	Status
Section 2	**Shareholders**		
E	**Institutional investors**		
E.1	Institutional investors- encourage voting and engagement	The Bank provides comprehensive governance, performance and risk disclosures to support informed shareholder decision-making, and institutional investors primarily engage with the Bank through the Annual General Meeting and established investor relations channels. The Bank actively encourages all shareholders to participate in the AGM and exercise their voting rights, recognising the meeting as a key platform for meaningful dialogue between shareholders and the Board. Engagement with shareholders is further reinforced through the Bank's broader communication practices, as detailed in the Investor Relations section and the shareholder engagement disclosures presented in the Annual Report.	Complied
E.1.1	Structured dialogue with shareholders	The Bank has a formal Policy on Relations with Shareholders and Investors, regular disclosures, structured procedures, designated officers, and enhanced stakeholder engagement mechanisms. Shareholder dialogue mostly occurs through the AGM and the Company Secretary.	Complied
E.2	Enable evaluation of governance disclosures	The Corporate Governance Report, Committee Reports and Internal Control statements provide sufficient depth for independent evaluation.	Complied
F	**Other Investors**		
F.1	Other investors – informed investing/ divesting	The Bank supports informed decision-making by all shareholders through the comprehensive financial statements, risk management disclosures and management commentary presented in the Annual Report. These disclosures enable investors to assess the Bank's performance, financial position and risk profile when making investment or divestment decisions.	Complied
F.2	Encourage voting by shareholders	The Bank also promotes active shareholder participation by providing clear and timely information relating to the Annual General Meeting, including the Notice of Meeting, Proxy Form and voting arrangements, ensuring that shareholders are encouraged and facilitated to exercise their voting rights.	Complied
G.	**Internet of Things(IoT) and Cybersecurity**		
G.1	Identify Technology Risks /cybersecurity risks	Technology-related risks, including cybersecurity, operational technology and IoT exposures, are managed within the Bank's established information-security and technology-risk framework. All IoT deployments, new implementations or major changes undergo mandatory cybersecurity clearance in line with the CBSL Technology Risk Management and Resilience Framework. Control effectiveness is reinforced through ISO 27001 surveillance audits and Internal Audit reviews. Oversight of broader technology risks is exercised through relevant Board Committees, supported by ongoing digital-transformation and information-security initiatives.	Complied
G.2	Appoint CISO and adopt cybersecurity policy	The Bank has appointed a suitably qualified Chief Information Security Officer (CISO), approved by the Central Bank of Sri Lanka, as part of its Key Management Personnel. The Bank's Cybersecurity Policy is formally established and reviewed periodically to ensure continued alignment with regulatory expectations and ISO 27001 standards, thereby supporting a robust and resilient information-security control environment.	Complied

Rule No.	Requirement Description	Management Comment	Status
G.3	Allocate Board time for cyber-risk	Cybersecurity is a standing agenda item in monthly Board reporting, with the paper on Information Security providing structured updates on key areas such as risk exposures, control effectiveness, remediation progress, compliance status, threat-landscape developments, strategic security initiatives and other governance matters. This ensures continuous visibility of the Bank's cybersecurity posture and supports informed Board-level decision-making. Technology-related risks including cybersecurity vulnerabilities, operational-technology exposures and IT-resilience considerations are also reviewed regularly by the relevant Board Committees, notably the BITSC and the BIRMC. These matters are incorporated into periodic reports submitted to the Board, ensuring sustained, structured and strategic oversight of the Bank's technology-risk environment.	Complied
G.4	Independent periodic review of cybersecurity	Compliance with the CBSL Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks, Direction No. 16 of 2021, is subject to independent external review. The Bank's cybersecurity control environment is also strengthened through independent SWIFT Customer Security Programme assurance and periodic ISO 27001 certification audits, which provide strong external validation of the effectiveness of its information-security controls.	Complied
G.5	Disclose cyber-risk processes	The Annual Report sets out the Bank's approach to IT governance, including cybersecurity practices, digital resilience measures and enhancements undertaken as part of the Bank's ongoing technology modernisation efforts.	Complied
Section 3	**Other Matters**		
H.	**Sustainability: ESG Risk and Opportunities**		
H.1	Integrate Sustainability / ESG into strategy	Sustainability and ESG considerations are integrated into the Bank's strategy through its governance framework, Board-level oversight and the activities of the Board Sustainability Committee. ESG factors including climate-related risks and opportunities inform strategic planning, lending priorities such as green and climate-aligned financing, operational efficiency initiatives, and inclusion-driven programmes. ESG integration is guided by the Bank's sustainability pillars and aligned with national and global sustainability frameworks.	Complied
H.1.1	Present ESG risks/ opportunities to Board	Climate-related and broader ESG risks and opportunities are elevated to the Board through the Board Sustainability Committee and Sustainability Management Committee. These include assessments of physical and transition climate risks, post-disaster impacts, and emerging ESG developments that may influence the Bank's strategy, business model, operations or resilience.	Complied
H.2	Stakeholder engagement	The Bank maintains structured engagement with stakeholders through financial inclusion initiatives, SME development programmes, sustainability activities and ongoing communication channels. Engagement insights are channelled to management and Board Committees to support decision-making on ESG and climate-related matters.	Complied

Rule No.	Requirement Description	Management Comment	Status
H.2.1	Identify material stakeholder matters	Material ESG issues are identified through cross-functional assessments, customer and employee feedback, operational data, value-chain analysis and the sustainability materiality process. These matters feed into strategy formulation, risk management, sustainability planning and CSR-led initiatives.	Complied
H.3	ESG governance structure	A structured ESG governance framework is in place, led by the Board Sustainability Committee and supported by the CEO-chaired Sustainability Management Committee, ensuring organisation-wide accountability and effective oversight of sustainability and climate-related priorities.	Complied
H.3.1.1	Environmental governance	Environmental governance is driven through climate-related risk assessments, green financing initiatives, energy-efficiency programmes and resource-use reductions. Activities include climate-risk screening in lending, operational resilience measures, efficiency upgrades and targeted environmental stewardship aligned to regulatory and global practices.	Complied
H.3.1.2	Social governance	Social governance is supported by policies and practices that address customer responsibility, financial inclusion, workforce development, employee wellbeing, and community-focused programmes. The Bank's governance framework emphasises fairness, access and positive social outcomes across its operations.	Complied
H.4	Governance structure to support ESG	ESG considerations are embedded within the Bank's risk management framework, strategic planning processes and performance monitoring structures. Climate-related responsibilities flow from the Board Sustainability Committee to management committees and business units, ensuring alignment between strategy, risk oversight and operational execution.	Complied
H.4.1	Identify key capitals and stakeholders	Key capitals and stakeholder groups are identified and addressed throughout the Bank's management discussions, risk assessments and sustainability reporting.	Complied
H.4.2	Manage ESG factors	Climate and ESG-related risks are managed through the Bank's enterprise-wide risk management framework. This includes climate-risk identification and prioritisation, use of risk registers, enhanced credit appraisal processes, early-warning indicators, stress testing, scenario analysis and integration into ICAAP and Business Continuity Planning.	Complied
H.4.3	ESG measures and KPIs	The Bank monitors ESG progress using a combination of qualitative and quantitative indicators covering emission baselines (Scope 1 and 2), energy and water efficiency gains, climate-risk assessments, green financing, inclusion metrics and workforce-related measures. These indicators support future target-setting in line with evolving sustainability expectations.	Complied
H.5	Sustainability/ESG reporting	The Annual Report presents clear and comprehensive ESG disclosures, demonstrating how sustainability considerations are integrated into the Bank's strategy, governance and risk management. These disclosures outline key ESG impacts and the Bank's long-term value creation approach, supported by its governance structure, organisational culture and ethical framework. Further details on sustainability initiatives and stakeholder commitments are provided in the relevant sections of the Report.	Complied

Rule No.	Requirement Description	Management Comment	Status
I.	**Special Considerations for Listed Entities**		
I.1, 1.1.1-1.1.4	Establishment and Maintenance of Policies and Other Requirements	The Bank has established and maintains a comprehensive suite of Board-approved governance policies that address key requirements applicable to listed entities. These policies cover areas such as corporate governance, risk management, disclosures, ethics and conduct, sustainability, related party transactions and Board-level responsibilities. All policies are periodically reviewed and are available to shareholders upon request to ensure transparency and adherence to best practices. Details are available on the Bank's website; https://www.pabcbank.com/cse-policies/	Complied
I.2, I.2.1 – I.2.2	Policy on Matters Relating to the Board of Directors	The Bank maintains a structured policy framework governing matters relating to the Board of Directors. This includes provisions on Board composition, independence, succession planning, performance evaluation, access to information and Board-level responsibilities. These policies form an integral part of the Bank's broader Corporate Governance Framework and are aligned with the requirements of the Code of Best Practice on Corporate Governance.	Complied

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Responsibility

The Board of Directors present this report on Internal Controls over Financial Reporting in line with the Banking Act Direction No.05 of 2024 and Principal D.1.5 of the Code of Best Practice on Corporate Governance 2023 (Code) issued by CA Sri Lanka. The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Pan Asia Banking Corporation PLC, ("the Bank").

In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a manageable basis and as such the internal control systems are primarily designed to highlight any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Bank and this process has been well established for many years with continuous enhancements on a need basis, which includes enhancing the system of internal controls as and when there are changes to the business, macroeconomic and regulatory environments. The process also includes enhancing the system of internal controls over financial reporting as and when changes take place. The process is regularly reviewed by the Board and accords with the "Guidance for Directors of Banks on the Directors' Statement on Internal Controls" issued by the Chartered Accountants of Sri Lanka. The Board has assessed the internal controls over financial reporting, considering principles for the assessment of the internal control system.

The Board is of the view that the system of internal controls in place over financial reporting is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting standards, principles and regulatory requirements.

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

The Bank has an island-wide presence catering to major sectors of the economy and is tasked with providing continuous banking service to its customer base. Accordingly, the Bank has adopted innovative methods to ensure its unique customer service is continued to be provided in line with the risk appetite of the Bank. The Bank's management has adopted various controls to ensure that service remains uninterrupted for the Bank and the control environment remains resilient despite these developments.

Key Features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System Over Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various Sub committees have been established by the Board, including those mandatory committees as required by the Banking Act Direction No. 05 of 2024, aforesaid, the Listing Rules of the Colombo Stock Exchange, to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies, and the annual budget as well as the policies and business directions that have been approved. (Activities of each subcommittee is denoted from pages 183 to 203).
- The Internal Audit Department of the Bank reviews for compliance with policies and procedures and the effectiveness of the internal control system/information system controls on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Further, Onsite, Online and Offsite audits are carried out covering departments, branches and Systems in accordance with the annual audit plan reviewed and approved by the Board Audit Committee (BAC). Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.
- Scope of Online audits/continuous monitoring was further enhanced to capture the new risks that the Bank is exposed to due to increased risks that resulted from continuous growth Bank is achieving. The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities, and the Management and evaluates the adequacy and effectiveness of the risk management and internal control system. The BAC also carries out an annual evaluation to review the effectiveness of the internal audit function with particular emphasis on the scope quality, independence of internal audit and the adequacy of resources. The Board Audit Committee further reviews the status of implementation of audit recommendations and rectification of audit findings

periodically to ensure all the issues are being addressed timely by the Management. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the Board Audit Committee of the Bank are set out in the Audit Committee Report on pages 183 to 186.

- In assessing the internal control system over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that relate to significant accounts and disclosures of the Financial Statements of the Bank. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls with respect to their adequacy and effectiveness on an ongoing basis.
- The Bank's control over financial reporting is extended to the areas in Information Security and Cyber Security which ensures that Bank's data is protected from external interventions ensuring the integrity of financial reporting systems. To facilitate this Bank's monitoring over IT & cyber security controls, vulnerability assessment & penetration testing, risk resilience, business continuity continued to improve based on management assessments and the recommendations of the Internal Audit.
- The Board Integrated Risk Management Committee (BIRMC) reviews the major risk exposures of the Bank and steps taken to control those exposures. This includes assessing key risks such as credit, market, liquidity, data security and Information Technology. BIRMC works closely with the Board and the BAC in fulfilling responsibility for risk management and communicates the risk profile of the Bank to the Board periodically. Further details of the activities carried out by the BIRMC during the year under review are set out in the BIRMC Report on pages 187 to 188.
- The Bank adopted SLFRS 9 "Financial Instruments" in 2018 which became applicable for financial reporting periods beginning on or after 1st January 2018. During the year, the Bank continued to strengthen the statistical models used in the computations and the data extraction procedures pertaining to the calculations performed in respect of SLFRS 9 , to comply with requirements of classification, estimation of expected credit losses, probability of default ,loss given defaults and disclosures based on recommendations made by auditors or regulators or on the basis of assessment by the management. The Bank's Internal Audit Department conducts regular tests on these processes and tabled the observations to management and Board Audit Committee during year 2025, to further strengthen the financial reporting process. The Board ensures that processes and controls are put in place for use of management information systems and validation of information extracted to comply with SLFRS 9. Further the Board has initiated recommendations for assessment of regulatory reliefs and its impact on impairment computations.
- The comments made by the External Auditors in connection with the internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2025 in connection with the internal control system over financial reporting will be dealt with in the future.

Confirmation

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

Review of the Statement by External Auditors

The External Auditors, Messrs Ernst & Young, have reviewed the above Directors' Statement on Internal Controls over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2025 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal controls over financial reporting of the Bank. Their Report on the Statement of Internal Controls over Financial Reporting is given on page 182 of this Annual Report.

By Order of the Board



Ashoka Goonesekere
Chairman - Board Audit Committee



Aravinda Perera
Chairman



Naleen Edirisinghe
Director/Chief Executive Officer

Colombo, Sri Lanka
16th February 2026

EXTERNAL AUDITOR'S ASSURANCE REPORT ON BANK'S INTERNAL CONTROL OVER FINANCIAL REPORTING

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TO THE BOARD OF DIRECTORS OF PAN ASIA BANKING CORPORATION PLC

Report on the Directors' Statement on Internal Control over Financial Reporting

We were engaged by the Board of Directors of Pan Asia Banking Corporation PLC ("the Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("the Statement") included in page 180 and 181 of the Annual Report for the year ended 31st December 2025.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the Section 9(2)(b) of Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities and Compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Charted Accountants of Sri Lanka.

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

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

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

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.



16 February 2026
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

BOARD AUDIT COMMITTEE REPORT

Composition of the Audit Committee

In accordance with the currently accepted best practices and in compliance with the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks (effective from January 01, 2025), the CSE circular no 04/2023 on listing rules, and section D.3.1 of the Code of Best Practice on Corporate Governance 2023, issued by CA Sri Lanka the Board has constituted the Audit Committee which comprises of the following Directors.

Name of the Committee Member	Directorship Status*	Membership Status	Date of Appointment to the Committee	Attendance (Attended/Eligibility)
Ashoka Goonesekere	IN NE	Chairman	25th July 2024	14/14
Kawshi Amarasinghe	NI NE	Member	24th January 2024	10/14
Dharshanie Perera	IN NE	Member	30th May 2024	14/14

*IN NE - Independent Non-Executive
*NI NE - Non-Independent Non-Executive

The Chairman of the Committee, Mr Goonesekere serves as an Independent Non-Executive Director and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Role of the Committee

A board approved Audit Committee Charter/Terms of reference defines the purpose, composition, duties, responsibilities, and authority of the Board Audit Committee and is reviewed and updated annually by the Board of Directors and the latest review was approved by the Board at its meeting held on August 28, 2025. The Committee is tasked with ensuring the quality and integrity of the Bank's financial statements, compliance with the legal and regulatory requirements, monitoring and assessing the independence of the External Auditor and strengthening internal controls over financial reporting.

The primary objective of the Board Audit Committee is to assist the Board of Directors in fulfilling its responsibilities in financial reporting, internal controls, internal and external audits.

In this regard, the Committee is empowered by the Board to:

- Monitor the integrity of the Financial Statements and review significant reporting judgments contained therein to comply with Sri Lanka Accounting Standards.
- Review the Interim and Annual Financial Statements, Internal controls, and Risk Management measures as reported to the Board Audit Committee.
- Assess the Bank's compliance with legal, regulatory requirements.
- Review and approve the annual internal audit plan and review the internal audit findings and liaise with the Bank's Corporate Management to ensure that precautionary measures are taken to minimise the control weaknesses, procedure violations, frauds and errors.
- To monitor and evaluate the effectiveness and independence of the internal audit function.
- Review and assess the effectiveness of the Bank's risk management, internal control system, information system controls, governance process to manage and mitigate or transfer current and emerging risks.
- Make recommendations to the Board on the appointment of the External Auditor and approve their remuneration and terms of engagement.
- Review and monitor the independence and objectivity of the External Auditor and the effectiveness of the audit process.
- Evaluate the engagement of External Auditors for the provision of non-audit services considering the potential impact on the independence of the External Auditor.
- Ensure that the Bank's policies are firmly committed to the highest standards of good Corporate Governance Practices and highest ethical standards, in the best interest of all stakeholders.
- Seek external professional advice and invite experts to attend meetings when necessary.

Meetings

During the period under review the Committee convened 14 meetings. Members attended meetings physically and online. Chief Internal Auditor, served as the Secretary to the Committee.

The Chief Executive Officer and Chief Financial Officer attended the meetings regularly by invitation while other members of the Corporate Management and Senior Management participated as and when required.

BOARD AUDIT COMMITTEE REPORT

The Committee met the External Auditors on two occasions without the presence of CEO and Corporate Management, and the related minutes were recorded by the Company Secretary. Additionally, the Committee also held independent discussion with Chief Internal Auditor and senior members of the Internal Audit and ensured that sufficient management support, technical and financial resource availability for its operations in fulfilling the mandate.

The proceedings of the Audit Committee meetings were regularly reported to the Board of Directors.

Activities

In discharge of its functions the Committee carried out the following activities.

Financial Statements

The Committee,

- Reviewed the effectiveness of the financial reporting system to ensure that information provided to the stakeholders is reliable and fully compliant with the requirements of Sri Lanka Accounting Standards (SLFRS/LKAS), disclosure requirements under CSE rules, Companies Act, SEC Act and CBSL regulations/requirements, and presenting a true and fair view on the financial position and performance of the Bank.
- Examined the accounting policies and practices and satisfied on appropriateness, and adequacy of internal controls and procedures to provide reasonable assurance on financial reporting system to provide reliable and timely information.
- Deliberated on the Quarterly and Annual Financial Statements of the Bank on its acceptability of accounting principles, and the reasonableness of significant estimates and judgements and their impacts on the Financial Statement reporting process before recommending for approval of the Board.
- Continued to evaluate and monitor the effectiveness of the processes and internal control framework to ensure ongoing compliance with directions issued by the Central Bank of Sri Lanka.
- Assesses the future impacts of the capital requirements and remedial measures to be taken.
- Discussed with External Auditors, CEO, CFO the possible implications and the sectors which could be impacted by the regulatory directions issued by Central Bank and or any other regulatory body on the financial reporting process.
- Evaluated the impact on changes to tax regulations.
- Obtained assurance from CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Banks' operations and financial position.

Regulatory Compliance

The procedures to ensure compliance with regulatory requirements were under scrutiny by the Committee.

- Emphasised importance of upholding ethical values of the staff. The Committee has reviewed the Whistle-Blowing policy of the Bank and the arrangements for fair and independent investigations of whistle-blowing matters and further monitored for appropriate follow-up actions.
- Adopted a checklist and validated quarterly, the Committee's compliance of the Banking Act Direction No. 05 of 2024 on the Corporate Governance and CSE listing rules circular no 04/2023 issued on 11th September 2023.

Policy on adoption of Sri Lanka Accounting Standards SLFRS 9

During the year under review the Committee recommended refinements to SLFRS 9 impairment models, emphasising integration of macroeconomic overlays within the model architecture to absorb regulatory and economic changes, thereby reducing reliance on management overlays and improving comparability and transparency.

The Committee also followed up and monitored the progress of the implementation of IT Systems for automation of impairment assessment of the Bank in preparation of Financial Statements as per the Sri Lanka Accounting Standards and Regulatory Requirements.

Internal Audit

During the year under review the Committee provided the oversight of the Internal Audit function while ensuring its independence, objectivity, and performance. The Committee assess the scope, functions and resources of the Internal Audit function and was satisfied with the adequacy. The internal audit function has carried out the following activities under the supervision of the Committee.

i. Executed the annual risk-based audit plan approved by the Committee, developed using the Board-approved Risk-Based Planning methodology to assess auditable areas.
    - Regularly monitored internal audit coverage to ensure effectiveness of the control environment.

ii. Utilised Computer Aided Audit Techniques for proactive monitoring and review.
    - Shared results with Management and the Board Audit Committee during monthly meetings.

- Conducted verifications to analyse trends in financial transactions.
- Identified risk trigger points and escalated areas for immediate management attention, discussed in Board Audit Committee meetings.

iii. Reviewed and evaluated internal controls, findings from internal audits, investigations, and online audit reviews.

- Ensured adequate control over business processes to mitigate risks effectively.
- Periodically reviewed the status of implementation of audit recommendations and management actions relating to outstanding observations.
- Emphasised on strengthening Information Systems controls to strengthen IT security, cyber security and reliability.
- Issued instructions for corrective actions to enhance procedures and internal controls aimed at managing overall risk and improve efficiency and effectiveness of key processes.

Further the Committee has carried out the performance appraisal of the AGM-Internal Audit and reviewed performance appraisals of senior internal audit staff. Further the Committee has recommended appointment of AGM-Internal Audit / CIA, senior staff members and engagement of outsourced service providers where necessary.

External Audit

The Committee met with External Auditor, M/s Ernst & Young and discussed

- All relevant matters arising from the interim and final audits.
- The audit fee, scope, approach and methodology to be adopted.
- Management Responses to the Management Letter.
- Followed up actions taken by the management in improving the financial reporting based on the Management Letter of 2024.

The Audit Committee has evaluated the independence of the External Auditors by carrying out the following:

- Conducted independent meetings with External Auditors excluding the management (Two meetings held during the year and meeting minutes are recorded independently by the Company Secretary)
- Established a policy on engagement of auditors for non-audit services.
- Obtained affirmative confirmation from the auditors on their independence.
- Assessed engagement team's experiences and expertise and obtained feedback on the auditors' performance from CFO & CEO.
- Ensured that the External Auditor and the lead audit partner was rotated as per the applicable regulatory directions.

The External Auditor has assured the Committee that they have no cause to compromise their independence. The Audit Committee has determined the independence and performance of the External Auditors.

Due to mandatory requirement on changing the External Auditor, the Committee has evaluated proposals from several audit firms and recommended to the Board of Directors that M/s KPMG Chartered Accountants, be appointed as the auditors of the Bank for the financial year ending 31st December 2026, subject to the approval of the Shareholders at the Annual General Meeting.

Risk and Control

Bank's Risk Management activities are monitored by Board Integrated Risk Management Committee which oversees the function of Chief Risk Officer as mandated by the Direction 05 of 2024 issued by Central Bank of Sri Lanka. The Bank has also established an Integrated Risk Management Policy duly approved by the Board of Directors. The Board Audit Committee has the access to the matters discussed at the BIRMC and activities of the Committee via the minutes submitted by the Committee to the Board of Directors.

The detailed activities of Board Integrated Risk Management Committee are presented in the pages 187 to 188 of this report.

The Committee obtained assurance from the CEO and other key management personnel, on the adequacy and effectiveness of the Bank's risk management and internal control systems by ensuring remedial action is implemented on audit observation and recommendation on agreed action dates.

The Committee evaluated the results of a comprehensive review of the Technology Risk Resilience Framework and recommended enhancements to address identified gaps in information security risk management to address vulnerabilities and strengthen operational resilience of the Bank with respect to Information Security of the Bank.

The Committee also reviewed the Internal Audit activities focused on addressing Information Technology risk, cybersecurity risk, and

BOARD AUDIT COMMITTEE REPORT

compliance risk were undertaken, with recommendations and followed up with the management for corrective action.

The Committee reviewed the consulting and assurance activities conducted by Internal audit on Internal Capital Adequacy Assessment Process (ICAAP), Business Continuity Plan (BCP) to assess the Banks readiness on both external and internal shocks.

Conduct, ethics, and good governance:

The Committee continuously emphasised the importance of upholding ethical values of the staff members. In this regard, the Bank has implemented a Code of Ethics, and a Whistleblowing Policy, which encourage employees to be ethical, transparent, and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties. The highest standards of corporate governance and adherence to the Bank's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means while maintaining the confidentiality of the identity of the person raising the concern.

Training and Development of Committee Members

Training and continuous professional development were undertaken by the Committee by attending seminars, conferences, workshops, presentations done by Central Bank of Sri Lanka, CSE, SEC and External Auditor on areas such as new Banking regulations, directions, accounting standards, tax etc. Please refer page 190 in the annual report for details.

Conclusion

The Board Audit Committee is of the view that adequate internal controls and procedures are in place at the Bank, providing reasonable assurance that its assets are safeguarded and the financial position and the results disclosed in the Audited Financial Statements are free from any material misstatements and meet with all regulatory and reporting requirements. The Committee also concluded that the internal audit function remained independent and effective during the year.

On behalf of the Board Audit Committee;



Ashoka Goonesekere
Chairman
Board Audit Committee

Colombo, Sri Lanka
16th February 2026

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Role and Mandate of the Committee

The Board Integrated Risk Management Committee ("the Committee") assists the Board of Directors in providing independent oversight of the Bank's enterprise wide risk management framework. The Committee ensures that material risks are identified, measured, monitored, and managed within the Board approved risk appetite and in compliance with applicable regulatory requirements. Through its oversight and guidance, the Committee supports a strong risk culture, operational resilience, and sustainable value creation.

Composition of the Committee

The Board Integrated Risk Management Committee comprised the following Directors during the year ended 31st December 2025.

Name of the Committee Member	Directorship Status*	Membership Status
Dharshanie Perera	IN NE	Chairperson
Kawshi Amarasinghe	NI NE	Member
Ashoka Goonesekere	IN NE	Member

* IN NE - Independent Non-Executive
* NI NE - Non-Independent Non-Executive

The profiles of the committee chairperson and the members are provided on pages 110 to 117.

The composition of the Committee supported a balanced and well informed exchange of views, combining independent oversight with relevant expertise across enterprise wide risk management disciplines.

Secretary to the Committee

The Senior Manager – Integrated Risk Management served as the Secretary to the Committee during the year under review and was responsible for coordinating meetings, circulating papers, maintaining accurate records of proceedings, and facilitating follow up on agreed actions.

Meetings of the Committee

The Committee met five (5) times during the year 2025. Meetings were conducted with emphasis on preparedness, analytical depth, and constructive deliberation. Details of Directors' attendance at Committee meetings during the year are disclosed on page 149 of the Corporate Governance section of this Annual Report.

The Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Information Security Officer, and the Managers and Officers in Charge responsible for Credit Risk, Operational Risk, Integrated Risk, Market Risk, and other key risk areas attended meetings as permanent invitees. Other members of corporate and senior management were invited to attend meetings on a need basis to provide subject matter expertise and relevant operational insights.

Summaries of deliberations and recommendations were tabled at subsequent Board meetings for information and guidance.

Functions and Responsibilities

The Committee derives its authority from the Board of Directors and is responsible for overseeing the Bank's integrated risk management framework. In discharging its mandate, the Committee undertakes the following key functions and responsibilities:

- Overseeing the design, implementation, and effectiveness of the integrated risk management framework, including risk appetite, policies, limits, and escalation mechanisms.
- Reviewing Key Risk Indicators (KRIs), risk dashboards, and risk heat maps covering credit, market, liquidity and Interest Rate Risk in Banking Book (IRRBB), operational, information security, compliance, legal, reputational, and strategic risks.
- Reviewing the Internal Capital Adequacy Assessment Process (ICAAP), stress testing methodologies and outcomes, and capital adequacy assessments to ensure alignment with the Bank's strategy and risk profile.
- Overseeing the activities and outcomes of key management level risk committees, including the Assets and Liabilities Committee (ALCO), Credit Risk Management Committee, Operational Risk Management Committee, and Information Security Committee.
- Reviewing and recommending risk related policies and enhancements, including borrower risk rating models, risk based pricing methodologies, and product and exposure limits.
- Overseeing business continuity management, business impact analysis, and disaster recovery arrangements to support operational resilience.
- Evaluating the effectiveness of the compliance and information security functions to ensure adherence to regulatory requirements and best practices.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

- Monitoring emerging risks and changes in the operating environment and providing guidance on mitigating actions.
- Submitting risk commentary, recommendations, and follow up actions to the Board of Directors for review and guidance.

Performance During the Year

During the year under review, the Committee actively monitored the Bank's risk profile through regular review of risk dashboards, KRIs, and risk heat maps. The Committee reviewed ICAAP assessments, stress testing results, and capital adequacy measures, providing guidance on maintaining resilience under adverse scenarios.

Credit, market, liquidity, operational, compliance, and information security risks were reviewed in a structured manner, with emphasis on emerging risk trends and effectiveness of mitigation strategies. The Committee also reviewed the outputs of key management level risk committees to ensure alignment with the Bank's overall risk governance framework.

Committee Effectiveness

The Committee periodically reviewed its effectiveness, composition, and scope of responsibilities to ensure continued relevance and efficiency. During the year, the Committee was satisfied that it operated independently and in accordance with its mandate, with adequate information flows and effective engagement with management to support informed oversight and decision making.

Way Forward

The Committee will continue to strengthen risk governance in line with industry best practices and regulatory expectations, with focus on stress testing and capital planning, early warning mechanisms for key risks, operational and cyber resilience, and enhanced risk reporting to support informed decision making aligned with the Bank's strategic direction.

On behalf of the Board Integrated Risk Management Committee;



Dharshanie Perera
Chairperson
Board Integrated Risk Management Committee

Colombo, Sri Lanka
16th February 2026

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Regulations/Rules Relevant to the Functions of the Committee

The role, function and the composition of the committee are defined by the provisions of the;

- Banking Act Direction No.05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka (Direction 2024).
- Section 9.12 of the Listing Rules of Colombo Stock Exchange on Corporate Governance. (CSE Rules).
- Code of Best practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. (Code 2023).

Composition of the Committee

The Board Human Resources and Remuneration Committee was comprised of the following directors during the year 2025.

Name of the Committee Member	Directorship Status*	Membership Status	Date of Appointment to the Committee
Sandra Walgama	IN NE	Member Chairperson	31st August 2023 24th January 2024
Aravinda Perera	NI NE	Member	29th July 2022
B D A Perera	IN NE	Member	01st November 2024

*IN NE - Independent Non-Executive
*NI NE - Non-Independent Non-Executive

As per CSE Rule No.9.12.6 (3) chairperson of the committee has been appointed.

The Chief Executive Officer participates at the committee meetings by invitation except when matters relating to the CEO are being discussed.

Refer Pages 110 to 117 for the profiles of the Committee Members.

Secretary

The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met four times during the year 2025. Attendance of the Committee members at each of these meetings are given on page 149 of the Annual Report.

Functions and Responsibilities

As per CBSL Direction No. 6.3

1. Determine the remuneration policy in relation to salaries, allowances, special payments /benefits made at termination or retirement, and other financial and non-financial benefits made to directors, CEO and the key management personnel
2. Set goals and targets for the directors, CEO and the key management personnel
3. Evaluate the performance of CEO and the key management personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives
4. Ensure that the prior written approval of the shareholders is obtained for any special payments/ financial and non-financial benefits to be made to the directors, CEO and key management personnel at the termination of employment or at the retirement
5. Coordinate with the Integrated Risk Management Committee to ensure that the compensation made to directors, CEO and key management personnel is within the risk appetite limits of the bank
6. Establish a policy on claw-back arrangements for performance-based payments made to CEO and key management personnel of the licensed bank under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the licensed bank. Such policy shall articulate the process to be followed by the licensed bank prior to giving effect to the claw back arrangements ensuring procedural propriety, fair hearing and transparency. The claw-back procedure of the licensed bank shall be incorporated into the employment contracts of CEO and key management personnel and a similar arrangement shall be implemented for the existing CEO and key management personnel

As per CSE Rule No. 9.12.7

(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/ or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.

(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.

The aggregate remuneration of the Executive and Non-Executive Directors are stated under Note 55 in audited financial statements on page 329 to 330.

Reporting to the Board

The Minutes of the Committee meetings are tabled at the immediate next Board meeting, thereby providing Board members with access to the deliberation of the Committee.

Policy

Board approved Remuneration Policy is in place as per Colombo Stock Exchange Rule No.9.2.1 and available in the Banks website for perusal.

On behalf of the Board Human Resources and Remuneration Committee;



Sandra Walgama
Chairperson
Board HR and Remuneration Committee

Colombo, Sri Lanka
16th February 2026

BOARD NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

Regulations/Rules Relevant to the Functions of the Committee

The role, function and the composition of the committee are defined by the provisions of the;

- Banking Act Direction No.05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka (Direction 2024).
- Section 9.11 of the Listing Rules of Colombo Stock Exchange on Corporate Governance. (CSE Rules).
- Code of Best practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. (Code 2023).

Composition of the Committee

The Board appointed Nominations and Governance Committee comprises of two Independent, Non-Executive Directors and one Non-Independent, Non-Executive Director as set out below.

Composition of the Committee during the year 2025

The Board Nominations and Governance Committee was comprised of the following directors during the year 2025.

Name of the Committee Member	Directorship Status*	Membership Status	Date of Appointment to the Committee	Attendance (Attended/ Eligibility)
B D A Perera	IN NE	Member Chairman	28th October 2021 29th July 2022	11/11
Aravinda Perera	NI NE	Member	11th August 2017	11/11
Sandra Walgama	IN NE	Member	24th January 2024	11/11

*IN NE - Independent Non-Executive
*NI NE - Non-Independent Non-Executive

Refer Pages 110 to 117 for the profiles of the Committee Members.

The Chief Executive Officer participates at the meetings by invitation except when matters relating to the CEO are being discussed.

Secretary

The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met eleven times during the year 2025. The attendance of the Committee members at each of these meetings are given on page 149 of the Annual Report.

Disclosures

- A documented Policy and process is in place when Nominating Directors, and on the appointment and reappointment of Directors.
- Board comprises of diversified members in the range of skills, qualifications, experience in relevant disciplines, age and gender which is an essential factor for effective Board performance.

  Board currently has three (3) female representatives, which is well above the requirement specified by the regulations. This reflects the Bank's commitment to gender diversity and inclusive governance.
- Corporate Governance, Listing Rules, Securities market regulations and other applicable laws and regulations are been communicated to the newly appointed Directors.
- Directors took part in an awareness session on Macro-economic outlook by Ms. Suhini Fernando - CEO of Reliance Capital and Modern Cyber Threats Unfolded awareness programme by Mr. Kushan Sharma CEO of TechCERT.
- Directors requiring to submit themselves for re-election at regular intervals and at least once in three years have been complied with.
- Re-elections - In terms of Article No's. 82 and 83 of the Articles of the Association of the Bank, Dharshanie Perera and Ashoka Goonesekere retire by rotation and being eligible, offer themselves for re-election, on an unanimous recommendation by the Board Nominations and Governance Committee and the Board of Directors.
- In terms of Article 89 of the Articles of the Association of the Bank, there were no Directors appointed during the period 2025 under casual vacancies.

Directors details who are being proposed for re-election

Name of the Director	Board Committees Served	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships held during the preceding three years
Dharshanie Perera	• Board Integrated Risk Management Committee	Chairperson	22nd May 2024	N/A	Nil
	• Board Audit Committee	Member			
	• Board Related Party Transactions Review Committee	Member			
	• Board Sustainability Committee	Member			
Ashoka Goonesekere	• Board Audit Committee	Chairman	22nd July 2024	N/A	PMF Finance PLC - Director
	• Board Integrated Risk Management Committee	Member			
	• Board Related Party Transactions Review Committee	Member			
	• Board Sustainability Committee	Member			

Present Directorships / Chairmanships and Other Principal Commitments

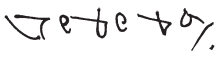
Name of the Director	Company Name	Position	Other Principal Commitments
Dharshanie Perera	Nil		
Ashoka Goonesekere	HNB Assurance PLC	Senior Director	Nil
	Melstacorp PLC	Director	
	Distilleries Company of Sri Lanka PLC	Director	

- Directors have declared that the Directors and their family members do not have any relationships with the other Directors, the Bank or its shareholders holding more than ten per-centum (10%) of the shares of the Bank.
- Performance evaluations of the Board of Directors and CEO have been conducted.
- Process has been adopted to inform the Independent Directors of major issues relating to the entity.
- Independent Directors of the listed entity meets the criteria as per Colombo Stock Exchange Corporate Governance rules for determining Independence and CBSL Directions on Corporate Governance.
- Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met.

Reporting to the Board

The Minutes of the Committee meetings are tabled at the immediate next Board meeting, thereby providing Board members with access to the deliberations of the Committee.

On behalf of the Board Nominations and Governance Committee;



B D A Perera
Chairman
Board Nominations and Governance Committee

Colombo, Sri Lanka
16th February 2026

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Role and Mandate of the Committee

The Board Related Party Transactions Review Committee has been constituted to assist the Board of Directors in reviewing and overseeing all Related Party Transactions undertaken by the Bank. The Committee's role is to ensure that such transactions are conducted in a fair, transparent, and arm's length manner, in compliance with applicable regulatory and governance requirements, thereby safeguarding the interests of all stakeholders.

The Committee provides independent oversight to ensure that Directors, Key Management Personnel, and substantial shareholders do not derive any undue benefit from their positions and that potential conflicts of interest are appropriately identified and managed. The Committee also supports the Board in promoting sound corporate governance through effective review, monitoring, and disclosure of Related Party Transactions.

The Committee carries out its mandate within a clearly defined governance and regulatory framework and operates in accordance with the following laws, regulations, and best practice guidelines:

- Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Commercial Banks, issued by the Central Bank of Sri Lanka, together with any subsequent amendments thereto.
- Section 9.14 of the Listing Rules of the Colombo Stock Exchange, relating to the approval and disclosure of Related Party Transactions.
- Code of Best Practice on Corporate Governance - 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

Composition of the Committee

The Committee comprised the following Independent Directors during the financial year ended 31st December 2025.

Name of the Committee Member	Directorship Status*	Membership Status
Sandra Walgama	IN NE	Chairperson
Dharshanie Perera	IN NE	Member
Ashoka Goonesekere	IN NE	Member

* IN NE - Independent Non-Executive

The profiles of the committee chairperson and the members are provided on pages 110 to 117.

Secretary to the Committee

The Chief Compliance Officer functioned as the Secretary to the Committee during the year under review and was responsible for coordinating meetings, maintaining accurate minutes, and ensuring that the Committee's deliberations and recommendations were communicated to the Board of Directors in a timely manner.

Meetings of the Committee

The Committee met four times during the year 2025. The Committee invites Key Management Personnel and other senior management members on a need basis to provide further clarifications on relevant subject matters.

Details of Directors' attendance at meetings during the year are disclosed on page 149 under the Corporate Governance Report section of this Annual Report. Minutes of each meeting were tabled at subsequent Board meetings for information and guidance.

Functions and Responsibilities

The Committee supports the Board of Directors in reviewing all Related Party Transactions (RPTs) entered into by the Bank, with the objective of safeguarding the interests of all shareholders. In doing so, the Committee ensures that Directors, Key Management Personnel (KMP), and substantial shareholders do not derive any undue benefit from their positions, thereby mitigating potential conflicts of interest. The Committee also assists the Board in promoting transparency through appropriate oversight and disclosure of RPTs.

The scope, authority, and responsibilities of the Committee are determined by the Board of Directors and are clearly articulated in its Terms of Reference, which are reviewed periodically to ensure continued relevance and regulatory compliance. The key responsibilities of the Committee include the following:

- Formulating and implementing robust procedures to monitor all Related Party Transactions of the Bank, in full compliance with applicable regulatory requirements.
- Independently reviewing all accommodations and facilities granted to related parties and, where necessary, providing observations and recommendations to the Board prior to final approval.

- Reviewing all Related Party Transactions to ensure compliance with regulatory and governance requirements.
- Ensuring timely market disclosures of applicable Related Party Transactions in accordance with Section 9 of the Listing Requirements of the Colombo Stock Exchange.
- Ensuring appropriate and comprehensive disclosures of Related Party Transactions in the Annual Report, in line with prevailing regulatory guidelines.
- In respect of recurrent Related Party Transactions, establishing guidelines for Senior Management to manage and monitor ongoing transactions with related parties, subject to an annual review by the Committee to assess the appropriateness and continued relevance of such transactions.

Performance During the Year

During the year under review, the Related Party Transactions Policy was reviewed and updated in February 2025 to ensure alignment with the prevailing corporate governance regulations. The revised Policy, together with the updated Terms of Reference of the Committee, was duly approved by the Board of Directors. Necessary arrangements were made to communicate and disseminate the updated policy to all relevant stakeholders across the Bank.

In order to ensure effective implementation of the revised regulatory framework, awareness programmes were conducted for relevant business units, with a focus on strengthening their understanding of the identification, reporting, and management of Related Party Transactions.

Throughout the year, the Board Related Party Transactions Review Committee ensured that all transactions with related parties were carried out in strict compliance with the Board-approved Terms of Reference and applicable regulatory requirements.

Committee Effectiveness

The Committee conducted a self-evaluation of its performance and confirmed that it operated effectively and independently during the year.

Way Forward

The Committee will continue to strengthen its oversight by enhancing the Bank's framework for the identification, review, and management of Related Party Transactions across business units and support service departments. Focus will be placed on reinforcing internal controls, ensuring consistent application of approved policies, and promoting accountability across the organisation.

The Committee will also support ongoing awareness initiatives to ensure adherence to established procedures and regulatory requirements, thereby fostering sound governance practices across the Bank.

On behalf of the Board Related Party Transaction Review Committee;



Sandra Walgama
Chairperson
Board Related Party Transactions
Review Committee

Colombo, Sri Lanka
16th February 2026

BOARD CREDIT COMMITTEE REPORT

Role and Mandate of the Committee

The Board Credit Committee assists the Board of Directors in overseeing the Bank's credit risk management and lending activities, ensuring that credit decisions and portfolio management are conducted in a prudent manner and aligned with the Bank's risk appetite, strategic objectives, and regulatory requirements, thereby supporting portfolio quality and sustainable credit growth.

Composition of the Committee

The Committee comprised the following Directors during the year ended 31st December 2025.

Name of the Committee Member	Directorship Status*	Membership Status
Sandra Walgama	IN NE	Chairperson
Aravinda Perera	NI NE	Member
B D A Perera	IN NE	Member
Malik Ranasinghe	IN NE	Member
Naleen Edirisinghe	Director/CEO	Member

* IN NE - Independent Non-Executive
* NI NE - Non-Independent Non-Executive

The profiles of the committee chairperson and the members are provided on pages 110 to 117.

The composition of the Committee facilitated a balanced and informed exchange of views, combining independent oversight with relevant expertise in recoveries, collections, and credit risk management.

Secretary to the Committee

Manager II - Credit Risk acted as the Secretary to the Committee during the year under review and was responsible for coordinating meetings, circulating papers, maintaining accurate records of proceedings, and facilitating follow-up on decisions and conditions arising from credit approvals.

Meetings of the Committee

The Committee met sixteen (16) times during the year 2025. Meetings were conducted with a strong emphasis on preparedness, rigorous analysis, and constructive deliberation. Where circumstances required urgent consideration, credit proposals were approved by way of circulation in accordance with the delegated approval framework and were subsequently tabled for ratification at the next scheduled meeting. Summaries of Committee deliberations were tabled at subsequent Board meetings for information and guidance.

Members of Corporate and senior management were invited to attend meetings on a need basis to provide clarifications and management insights on matters under review.

Details of Directors' attendance at Committee meetings during the year are disclosed on page 149 of the Corporate Governance Report section of this Annual Report.

Functions and Responsibilities

The Committee derives its authority from the Board of Directors and assists the Board in overseeing the Bank's credit operations and credit risk management. In discharging its mandate, the Committee undertakes the following key functions and responsibilities:

- Credit Governance and Oversight: Oversee the effectiveness of credit evaluation, approval, administration, and monitoring processes to ensure sound credit risk management practices.
- Approvals within Delegated Authority: Review and sanction credit proposals falling within the Committee's delegated authority, including high value and higher risk exposures, ensuring alignment with approved policies, risk appetite, and strategic priorities.
- Portfolio Monitoring: Review periodic reports on portfolio quality and performance—including new facilities, margin trading, share backed advances, special segments and products, and pawning/gold loans—and monitor watch listed and non performing advances.
- Remedial Actions: Provide guidance on corrective and remedial actions for material problem accounts to prevent further deterioration and contain losses, in coordination with management.
- Limits and Policy: Review and recommend updates to the Board approved Credit Policy, delegated approval limits, and credit approval frameworks, as initiated by management, for Board consideration.
- Related Party Proposals: Review credit proposals relating to Related Parties and recommend the same to the Board Related Party Transactions Review Committee for further review and approval by the Board.
- New Products and Controls: Evaluate new lending products and initiatives from a credit risk perspective and ensure appropriate controls are in place to safeguard portfolio quality.

- Operating Environment: Monitor developments in the economic and operating environment and provide guidance on emerging lending risks and opportunities.

- Compliance: Ensure lending activities adhere to internal policies and applicable statutory and regulatory requirements.

- Risk Adjusted Returns and Growth: Ensure exposures remain within approved limits to optimise risk adjusted returns and support credit growth objectives without compromising portfolio quality.

Performance During the Year

During the year under review, the Committee actively discharged its oversight responsibilities through detailed deliberations on credit proposals, portfolio performance, and emerging credit risks. The Committee reviewed and sanctioned facilities in line with delegated authorities, ensuring robust analysis and informed decision making. Regular portfolio reviews enabled the Committee to monitor asset quality trends, sectoral exposures, and higher risk accounts, while guiding management on remedial measures and prudent lending standards.

The Committee also considered changes to the Credit Policy and delegated limits and evaluated new lending products from a risk perspective, ensuring appropriate controls to maintain portfolio quality.

Committee Effectiveness

The Committee periodically assesses its effectiveness, composition, and scope of responsibilities to ensure continued relevance and efficiency. During the year, the Committee was satisfied that it operated in accordance with its mandate, with adequate information flows, constructive engagement with management, and appropriate challenge, thereby supporting sound credit governance and decision making.

Way Forward

In the period ahead, the Committee will continue to reinforce disciplined credit governance amid evolving market conditions. Priorities include maintaining strong asset quality; monitoring emerging risks and sectoral trends; ensuring alignment of lending activity with the Bank's risk appetite, capital capacity, and strategic priorities; and supporting enhancements to underwriting standards, portfolio monitoring, and early warning mechanisms. The Committee will also encourage prudent innovation in lending products with appropriate controls to safeguard portfolio quality and sustainable growth.

On behalf of the Board Credit Committee;



Sandra Walgama
Chairperson
Board Credit Committee

Colombo, Sri Lanka
16th February 2026

BOARD STRATEGIC PLANNING COMMITTEE REPORT

Role and Mandate of the Committee

The Board Strategic Planning Committee ("the Committee") is established to assist the Board of Directors in fulfilling its responsibilities relating to the formulation, oversight, and effective execution of the Bank's medium to long term strategic direction. The Committee is responsible for reviewing and recommending the Bank's strategic plans and material revisions thereto, overseeing the strategic planning process, and monitoring performance against approved strategies and budgets. In discharging its mandate, the Committee ensures alignment with the Bank's vision, mission, values, risk appetite, capital structure, and regulatory requirements, and considers significant strategic investments and initiatives for recommendation to the Board.

Composition of the Committee

The Committee comprised the following Directors during the financial year ended 31st December 2025.

Name of the Committee Member	Directorship Status*	Membership Status
Aravinda Perera	NI NE	Chairman
Kawshi Amarasinghe	NI NE	Member
Malik Ranasinghe	IN NE	Member

* IN NE - Independent Non-Executive
* NI NE - Non-Independent Non-Executive

The profiles of the committee chairman and the members are provided on pages 110 to 117.

The membership structure of the Committee enabled a balanced exchange of perspectives, combining strategic oversight with independent judgement. Other non member Directors were also invited to participate in Committee meetings when significant or strategic matters were under discussion. The Chief Executive Officer and members of senior management were invited to attend meetings, where relevant, to provide management insights and operational context.

Secretary to the Committee

The Chief Financial Officer served as the Secretary to the Committee and facilitated the effective functioning of the Committee by coordinating meetings, maintaining accurate records of proceedings, and ensuring that matters discussed and recommendations made were appropriately escalated to the Board of Directors.

Meetings of the Committee

The Committee met four times during the year 2025. Meetings were conducted with a strong emphasis on preparation, open dialogue, and constructive challenge. Details of Directors' attendance at meetings during the year are disclosed on page 149 under the Corporate Governance Report section of this Annual Report. Summaries of deliberations were placed before the Board of Directors for information and oversight.

Functions and Responsibilities

In line with its mandate, the Committee discharged the following key responsibilities:

- Reviewing the Bank's strategic plan and any material revisions, and submitting recommendations to the Board of Directors for approval.
- Guiding management in translating strategic objectives into executable initiatives.
- Overseeing the strategic planning process to ensure coherence with the Bank's vision, mission, values, and risk and regulatory landscape.
- Tracking the progress of strategic initiatives through structured performance reviews against approved KPIs.
- Assessing the effectiveness of implemented strategies and advising on corrective measures where outcomes diverged from expectations.
- Encouraging a culture of risk awareness and adaptability in response to changes in the business and regulatory environment.
- Reviewing internal capabilities and resource deployment to support effective strategy execution.
- Ensuring alignment between the annual budget and the approved strategic direction prior to recommending the same to the Board.
- Reviewing performance against the strategic plan and budget, with particular attention to material trends, variances, and emerging risks.
- Periodically reconsidering the relevance of the Bank's stated vision, mission, and core values.
- Evaluating the adequacy of the Bank's capital structure in supporting strategic growth and regulatory compliance.
- Considering significant strategic investments, including mergers and acquisitions, and making recommendations to the Board where appropriate.

Performance During the Year

The Committee reviewed the Bank's performance against the Strategic Plan 2025-2028 and budget for the year 2025 on a periodic basis. Where performance outcomes differed from planned expectations, the Committee sought further analysis and provided guidance to management aimed at strengthening execution and realigning initiatives where necessary.

The Annual Bank Budget for 2026 was reviewed by the Committee to assess its consistency with strategic priorities, capital and funding considerations, and the prevailing operating environment. Observations and suggested refinements were communicated prior to recommending the budget to the Board of Directors for approval. The Committee also considered the Bank's capital position in light of growth objectives and regulatory requirements to ensure the sustainability of the strategic plan.

Committee Effectiveness

The Committee periodically reflects on its own effectiveness, composition, and scope of responsibilities to ensure continued relevance and efficiency. During the year under review, the Committee was satisfied that it operated in accordance with its mandate and maintained an appropriate focus on forward looking and outcome oriented strategic oversight.

Way Forward

The Board Strategic Planning Committee will continue to provide focused oversight to ensure effective execution of the Strategic Plan 2025–2028 in an evolving operating environment. Key priorities will include strengthening strategy execution, monitoring performance against critical KPIs, and ensuring alignment with the Bank's risk appetite, capital position, and regulatory requirements. The Committee will encourage management to proactively respond to emerging risks and opportunities, including digital and operational efficiency initiatives, while periodically reassessing the relevance of the Bank's strategic priorities, vision, and resource deployment to support sustainable long term value creation.

On behalf of the Board Strategic Planning Committee;



Aravinda Perera
Chairman
Board Strategic Planning Committee

Colombo, Sri Lanka
16th February 2026

BOARD RECOVERIES COMMITTEE REPORT

Role and Mandate of the Committee

The Board Recoveries Committee was established to assist the Board of Directors in providing oversight of the management and resolution of Non Performing Loans and Advances (Stage 3 Loans), with the objective of minimising credit losses and strengthening the quality and sustainability of the Bank's loan portfolio. In recognition of the importance of effective recoveries to the Bank's financial performance and stability, the Committee provides focused oversight and guidance to enhance recovery processes, monitor emerging credit risks, and support the Bank's long term profitability.

Composition of the Committee

The Board Recoveries Committee comprised the following Directors during the year ended 31st December 2025.

Name of the Committee Member	Directorship Status*	Membership Status
B D A Perera	IN NE	Chairman
Sandra Walgama	IN NE	Member
Malik Ranasinghe	IN NE	Member
Naleen Edirisinghe	Director/CEO	Member

* IN NE - Independent Non-Executive

The profiles of the committee chairman and the members are provided on pages 110 to 117.

The composition of the Committee facilitated a balanced and informed exchange of views, combining independent oversight with relevant credit and business expertise.

Secretary to the Committee

Manager II – Credit Risk served as the Secretary to the Committee during the year under review and was responsible for coordinating meetings, maintaining records, and facilitating follow up on agreed actions.

Meetings of the Committee

The Committee met twelve (12) times during the year 2025. The Committee invites members of the Corporate and senior management members on a need basis to provide further clarifications on relevant subject matters.

Details of Directors' attendance at meetings during the year are disclosed on page 149 under the Corporate Governance Report section of this Annual Report. Minutes of each meeting were tabled at subsequent Board meetings for information and guidance.

Functions and Responsibilities

The Committee derives its authority from the Board of Directors and assists the Board in overseeing the management and resolution of Non Performing Loans and Advances (NPLA), with a focus on minimising credit losses and strengthening asset quality. In discharging its mandate, the Committee undertakes the following key functions and responsibilities:

- Overseeing the implementation and effectiveness of the Bank's framework for the management, monitoring, and resolution of Non-Performing Loans and Advances and other distressed credit exposures.
- Reviewing periodic reports on Non Performing Loan management, watchlist exposures, and recovery performance to monitor problematic accounts and emerging credit risks.
- Providing oversight and guidance on recovery strategies, including expedited recoveries, restructurings, and enhanced post disbursement monitoring, to improve recovery outcomes.
- Reviewing material and identified problematic advances and providing guidance on appropriate corrective actions to prevent further deterioration and contain potential losses.
- Prioritising recovery efforts and endorsing suitable strategies to optimise asset recovery and minimise losses.
- Ensuring that adequate internal controls and processes are in place over the management of Non Performing Advances, with a focus on loss containment and asset recovery.
- Monitoring recovery performance against agreed targets in collaboration with management, Area Managers, and relevant Department/Product Heads.
- Advising management on limiting exposures to vulnerable industries and sectors that fall outside the Bank's approved risk appetite.
- Ensuring compliance with applicable regulatory guidelines and internal policies relating to recoveries and Non Performing Advance management.
- Reviewing the adequacy of resources, systems, and capabilities supporting recovery activities to ensure efficient and effective execution.

- Recommending improvements to credit underwriting standards and portfolio management practices to minimise the addition of new Non Performing Advances to the Bank's loan portfolio.

Performance During the Year

During the year under review, the Committee actively monitored the Bank's Non Performing Loans and Advances portfolio and recovery performance through regular review of detailed management reports and focused deliberations on material and high risk exposures. The Committee provided strategic guidance on recovery actions, prioritisation of delinquent accounts, and strengthening of post disbursement monitoring practices. Emphasis was placed on loss containment, improvement of asset quality, and timely mitigation of emerging credit risks in line with prevailing economic and sector specific conditions.

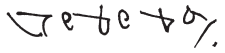
Committee Effectiveness

The Committee conducted a self assessment of its performance during the year and was satisfied that it operated effectively in accordance with its mandate and Board approved Terms of Reference. The Committee remains committed to maintaining robust oversight, constructive engagement with management, and continuous improvement in the discharge of its responsibilities.

Way Forward

In the period ahead, the Committee will continue to strengthen its oversight of the Bank's recovery framework, with a focus on early identification of credit stress, reduction of potential additions to the Non Performing Loans and Advances portfolio, and optimisation of recovery outcomes. Emphasis will be placed on reinforcing underwriting discipline, enhancing post disbursement monitoring, and ensuring that recovery strategies remain aligned with the Bank's risk appetite, regulatory requirements, and prevailing operating environment.

On behalf of the Board Recoveries Committee;



B D A Perera
Chairman
Board Recoveries Committee

Colombo, Sri Lanka
16th February 2026

BOARD INFORMATION TECHNOLOGY STEERING COMMITTEE REPORT

Role of the Committee

The Board Information Technology Steering Committee ("the Committee") assists the Board of Directors in providing strategic direction and effective governance over the Bank's information technology (IT) function. The Committee oversees the formulation, implementation, and monitoring of the Bank's IT strategy, ensuring alignment with the Bank's overall business strategy, risk appetite, and regulatory requirements. Through its oversight, the Committee supports secure, resilient, and sustainable digital transformation that enhances operational efficiency and customer experience.

Composition of the Committee

The Committee comprised the following Directors during the financial year ended 31st December 2025.

Name of the Committee Member	Directorship Status*	Membership Status
Malik Ranasinghe	IN NE	Chairman
Aravinda Perera	NI NE	Member
B D A Perera	IN NE	Member
Kawshi Amarasinghe	NI NE	Member
Naleen Edirisinghe	Director/CEO	Member

*IN NE - Independent Non-Executive
*NI NE - Non-Independent Non-Executive

The profiles of the committee chairman and the members are provided on pages 110 to 117.

The composition of the Committee reflects a balance of independent oversight, executive insight, and deep expertise in technology, risk management, strategy, and governance.

Secretary to the Committee

The Chief Internal Auditor functioned as the Secretary to the Committee during the year under review and was responsible for coordinating meetings, maintaining accurate minutes, and ensuring that the Committee's deliberations and recommendations were communicated to the Board of Directors in a timely manner.

Meetings

The Committee met four times during the year 2025. Members demonstrated a high level of preparedness and active engagement in discussions. Details of attendance are disclosed in the Corporate Governance section of this Annual Report. Minutes of each meeting were tabled at subsequent Board meetings for information and guidance.

Functions and Responsibilities

The principal functions and responsibilities of the Committee include the following:

- Overseeing the Bank's IT strategy and technology roadmap and recommending significant initiatives to the Board where required.
- Providing strategic guidance to management on digital transformation initiatives, innovation, and adoption of emerging technologies.
- Overseeing technology related risks, including information security, cybersecurity, data protection, and business continuity arrangements.
- Reviewing major IT investments, infrastructure enhancements, and technology related policies.
- Monitoring compliance with regulatory and supervisory requirements relating to technology risk management.
- Assessing the adequacy and effectiveness of IT governance structures, internal controls, and incident response mechanisms.

Performance During the Year

During the year under review, the Committee focused on guiding the Bank's digital transformation agenda while ensuring the resilience, reliability, and security of IT infrastructure. The Committee reviewed information security initiatives, the Bank's cybersecurity posture, and the effectiveness of the Security Operations Centre, and provided guidance on strengthening threat detection, prevention, and incident response capabilities.

Emerging technology risks and regulatory compliance gaps identified by management were deliberated in detail, and appropriate mitigation strategies and corrective actions were recommended to management and, where necessary, to the Board of Directors.

Committee Effectiveness

The Committee undertakes periodic reviews of its effectiveness, composition, and scope of work to ensure continued alignment with the Bank's strategic priorities and evolving regulatory expectations. During the year, the Committee was satisfied that it operated effectively and fulfilled its mandate in supporting the Board's oversight of technology strategy, digital initiatives, and technology related risks.

Way Forward

The Committee will continue to provide direction in the technology agenda of the Bank in ensuring that the Bank has increased its cyber-resilience, improved its digital service delivery, and governs the risks associated with technology comprehensively. The emphasis will be on the modernisation of core systems, improved data and analytics, and the increase in automation to facilitate the efficiency of the operational processes and the reliability of the services. The Committee will guide management on enhancing further the information security structures, development of safe digital channels, and the efforts to create a digitally capable workforce. With these priorities, the Committee is dedicated to providing a secure, scalable and future-ready technology environment that ties in with the strategic direction and stakeholder expectations of the Bank.

On behalf of the Board Information Technology Steering Committee



Malik Ranasinghe
Chairman
Board Information Technology Steering Committee

Colombo, Sri Lanka
16th February 2026

BOARD SUSTAINABILITY COMMITTEE REPORT

Role and Mandate of the Committee

The Board Sustainability Committee was established by the Board of Directors in September 2025 to assist the Board in providing oversight and strategic direction on sustainability matters across the Bank. The Committee is responsible for ensuring that sustainability considerations are embedded into the Bank's strategy, operations, and decision-making processes at all levels.

In fulfilling its mandate, the Committee plays a pivotal role in shaping and advancing the Bank's sustainability agenda, aligning sustainability objectives with the Bank's corporate strategy, and promoting accountability across the organisation. The Committee provides oversight over the development, implementation, and monitoring of sustainability initiatives, including Environmental, Social, and Governance (ESG) practices, in line with applicable regulations and recognised best practices.

Composition of the Committee

The Board Sustainability Committee comprised the following Directors during the year 2025.

Name of the Committee Member	Directorship Status*	Membership Status
Malik Ranasinghe	IN NE	Chairman
Dharshanie Perera	IN NE	Member
Ashoka Goonesekere	IN NE	Member
Naleen Edirisinghe	Director/CEO	Member

* IN NE - Independent Non-Executive

The profiles of the committee chairman and the members are provided on pages 110 to 117.

In addition to the above members, members of the Sustainability Management Committee attend meetings as permanent invitees. Other members of senior management are invited to attend meetings, as required, depending on the subject matters under consideration.

Secretary to the Committee

The Senior Manager – Development Banking and Sustainability Management Unit functioned as the Secretary to the Committee during the year and was responsible for coordinating meetings, maintaining accurate minutes, and facilitating effective communication between the Committee and the Board.

Meetings of the Committee

The Committee was established in September 2025 and held its inaugural meeting on 24 November 2025. Details of Directors' attendance at Committee meetings during the year are disclosed on page 149 under the Corporate Governance Report section of this Annual Report.

Functions and Responsibilities

The Board Sustainability Committee assists the Board of Directors in providing strategic oversight and direction on sustainability matters across the Bank. In discharging its mandate, the Committee is responsible for ensuring that sustainability and Environmental, Social, and Governance (ESG) considerations are effectively integrated into the Bank's strategy, operations, and decision making processes.

The key functions and responsibilities of the Committee include, inter alia:

- Defining the Bank's sustainability vision, objectives, and strategy, and ensuring alignment with national priorities, global sustainability standards, and best practices.
- Overseeing the integration of sustainability and ESG principles into the Bank's business operations, policies, and strategic plans.
- Developing and approving sustainability related policies and monitoring their effective implementation and compliance across the Bank.
- Overseeing the identification, assessment, and monitoring of ESG related risks and ensuring their integration into the Bank's overall risk management framework.
- Reviewing and approving sustainability and ESG related reports and disclosures to ensure accuracy, transparency, and compliance with applicable regulatory and reporting requirements.
- Ensuring adherence to all applicable sustainability related laws, regulations, frameworks, and guidelines.
- Approving budgets and ensuring the allocation of adequate resources to support sustainability initiatives.
- Establishing, monitoring, and reviewing sustainability Key Performance Indicators (KPIs).
- Promoting a culture of sustainability across the organisation through awareness, capacity building initiatives, and employee engagement.

The Committee reports to the Board of Directors on its deliberations and recommendations, and the confirmed

minutes of each meeting are submitted to the Board for review and guidance.

Performance During the Year

During the year under review, the Committee focused on establishing a structured governance framework for sustainability following its formation in September 2025. Key priorities included setting the strategic direction for sustainability initiatives, reviewing ongoing ESG related activities across the Bank, and strengthening oversight mechanisms to support effective implementation.

The Committee also reviewed sustainability related risks and disclosures and provided guidance to Management on aligning sustainability initiatives with the Bank's overall strategic objectives. Initial steps were taken to enhance coordination between the Board Sustainability Committee and the Sustainability Management Committee to ensure effective execution and monitoring of sustainability programmes.

Committee Effectiveness

The Committee conducted a self evaluation of its performance and concluded that it had functioned effectively during the period under review. The Committee was satisfied that it had discharged its responsibilities independently and in accordance with its mandate, providing appropriate oversight and strategic guidance on sustainability related matters.

Way Forward

The Board Sustainability Committee will continue to guide the phased implementation and progressive enhancement of the Bank's sustainability governance and reporting framework, with particular focus on alignment with SLFRS S1 and SLFRS S2. Emphasis will be placed on further strengthening the integration of sustainability and climate related risks and opportunities into the Bank's strategy, risk management framework, and decision making processes.

On behalf of the Board Sustainability Committee;



Malik Ranasinghe
Chairman
Board Sustainability Committee

Colombo, Sri Lanka
16th February 2026

ANNUAL REPORT OF THE BOARD OF DIRECTORS' ON THE AFFAIRS OF THE BANK

Your Board of Directors have pleasure in presenting to the members their Annual Report together with the Audited Financial Statements for the year ended 31st December 2025.

The details set out herein provide the relevant information required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and the best accounting practices recommended by the Institute of Chartered Accountants of Sri Lanka and necessary disclosures in the best interest of stakeholders of the Bank.

General

Pan Asia Banking Corporation PLC, a Licensed Commercial Bank listed on the Colombo Stock Exchange was incorporated in Sri Lanka, as 'Pan Asia Bank Limited' on 06th March 1995 under the Companies Act No. 17 of 1982 and Licensed as a Commercial Bank under the Banking Act No. 30 of 1988 changed its name to 'Pan Asia Banking Corporation Limited' on 23rd April 2004 and has now been re-registered as per the requirement under the new Companies Act No. 07 of 2007 and changed its name to 'Pan Asia Banking Corporation PLC'.

The Annual Report of the Board of Directors on the Affairs of the Bank and the Financial Statements were approved by the Board of Directors at the meeting held on 16th of February 2026.

Statutory Disclosures

No.	Disclosure Requirement	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page/ pages
1	The nature of the Business of the Bank	Section 168 (1) (a)	About Pan Asia Banking Corporation PLC	08
			Note 1.2 to the Audited Financial Statements - Principal Activities and Nature of operations.	229
2	Financial statements for the accounting period completed and signed in accordance with Section 152	Section 168 (1) (b)	The Financial Statements for the year ended 31st December 2025 have been duly signed by the Chief Financial Officer, the Chairman, the Deputy Chairman, Chief Executive Office/ Director and the Company Secretary of the Bank.	226
			Note 2.1 to the Financial Statements of the Bank (Statement of Compliance).	229
3	Auditor's report on the Financial Statements of the Bank	Section 168 (1) (c)	Independent Auditor's Report on the Shareholders of Pan Asia Banking Corporation PLC.	219-223
4	Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	There were no changes to the Accounting Policies during the year 2025.	N/A
			The Summary of Material Accounting Policies.	234-244
5	Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	The Bank maintains the Directors' Interest Register as required under the provisions of Section 168 (1) (e) of the Companies Act. The Directors of the Bank have made necessary declarations of their respective interests in contracts or proposed contracts, in terms of the Sections 192 (1) and 192 (2) of the Companies Act. These interests have been recorded in the Directors' Interest Register, which is available for inspection in terms of the Companies Act. As a practice and in terms of Corporate Governance requirements, the Directors have refrained from voting on matters in which they have a material interest. The Directors have no direct or indirect interest in contracts or proposed contracts with the Bank other than those disclosed.	N/A
			The Directors' Interest Register	213

<table>
<tr><th>No.</th><th>Disclosure Requirement</th><th>Reference to the Companies Act No. 7 of 2007</th><th>Disclosure Reference for Compliance</th><th>Page/ pages</th></tr>
<tr><td>6</td><td>Remuneration and other benefits paid to the Directors during the accounting period</td><td>Section 168 (1) (f)</td><td>Note 55.3 to the Financial Statements - Compensation to Key Management Personnel</td><td>329</td></tr>
<tr><td>7</td><td>Total amount of donations made by the Bank during the accounting period</td><td>Section 168 (1) (g)</td><td>The Board of Directors have not approved any donations during the year 2025</td><td>N/A</td></tr>
<tr><td>8</td><td>Information on Directors of the Bank at the end of the accounting period</td><td>Section 168 (1) (h)</td><td>The names of the Directors of the Bank during the period 01st January 2025 to date are given below and the changes occurred in the composition of the Board during the year 2025. The classification of Directors into ‘Executive’, ‘Non-Executive - Non-Independent’, and ‘Non-Executive Independent’ are given against the names as per the directives issued under the Banking Act and the Listing Rules of the Colombo Stock Exchange.
<table>
<tr><td>Aravinda Perera</td><td>Non-Independent, Non-Executive Director since August 2017. Appointed as ‘Deputy Chairman’ in May 2021. Appointed as ‘Chairman’ in August 2023.</td></tr>
<tr><td>B D A Perera</td><td>Independent, Non-Executive Director since April 2021. Appointed as ‘Deputy Chairman/Senior Independent Director’ in November 2024.</td></tr>
<tr><td>Sandra Walgama</td><td>Independent, Non-Executive Director since January 2022.</td></tr>
<tr><td>Kawshi Amarasinghe</td><td>Non-Independent, Non-Executive Director since August 2023.</td></tr>
<tr><td>Malik Ranasinghe</td><td>Independent, Non-Executive Director since January 2024.</td></tr>
<tr><td>Dharshanie Perera</td><td>Independent, Non-Executive Director since May 2024.</td></tr>
<tr><td>Ashoka Goonesekere</td><td>Independent, Non-Executive Director since July 2024.</td></tr>
<tr><td>Naleen Edirisinghe</td><td>Director/Chief Executive Officer since April, 2023.</td></tr>
</table>
</td><td>N/A</td></tr>
<tr><td></td><td></td><td></td><td>Profiles of the Board of Directors</td><td>110-117</td></tr>
<tr><td></td><td></td><td></td><td>Composition of the Board of Directors</td><td>149</td></tr>
</table>

ANNUAL REPORT OF THE BOARD OF DIRECTORS' ON THE AFFAIRS OF THE BANK

No.	Disclosure Requirement	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page/ pages
9	Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period by the Bank	Section 168 (1) (i)	Note 16.3 to the Financial Statements - Auditors' Remuneration.	253
10	Particulars of any relationship (other than in the capacity of the auditor) which the auditor has with or any interests which the auditor has in the Bank	Section 168 (1) (j)	The Bank's External Auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. The Board Audit Committee continued to assess the independence and objectivity of the External Auditors, including their compliance with the Bank's policy on the provision of non-audit services, to ensure that auditor independence is maintained at all times. Based on the declaration provided by the retiring Auditors, Messrs. Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship with, or interest in, the Bank that, in the judgement of the Directors, may reasonably be considered to have a bearing on their independence, in accordance with the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka. Messrs. Ernst & Young will retire from office at the conclusion of the forthcoming Annual General Meeting, having completed their term in accordance with applicable regulatory requirements. Upon the recommendation of the Board Audit Committee and the Board of Directors, Messrs. KPMG will be proposed for appointment as External Auditors of the Bank for the financial year ending 31 December 2026. In accordance with the Companies Act No. 07 of 2007, a resolution to appoint Messrs. KPMG and to authorise the Directors to determine their remuneration will be placed before the shareholders at the Annual General Meeting scheduled for 28th March 2025.	N/A
11	Annual Report of the Board of Directors on the Affairs of the Bank to be signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Annual Report of the Board of Directors on the Affairs of the Bank.	204 - 212

Additional Disclosures

No.	Disclosure Requirement	Disclosure Reference	Page/ pages
1.	Vision, Mission, Values and Corporate Conduct	About Pan Asia Bank	08
2.	Review of Operations	The review of the financial and operational performance of the Bank together with important events that took place during the year 2025 have been explained in the following Reports.	N/A
		Chairman's Message	14
		Chief Executive Officer's Review	18
		Financial Review	30
		Business and Operations Review	44
		Three new branches were opened during the year under review.	N/A
3.	Future Developments	Chairman's Message	14
		Chief Executive Officer's Review	18
		Future Outlook	39
4.	Directors' Responsibility for Financial Reporting	Directors' Responsibility for Financial Reporting	214
5.	Financial Results and Appropriations	Income - Note 5 to the Financial Statements	246
		Profit and Appropriations	
		Statement of Profit or Loss	224
		Statement of Comprehensive Income	225
		Statement of Financial Position	226
		Statement of Changes in Equity	227
		Statement of Cash Flows	228
6.	Taxation	Note 17, 18 and 36 to the Financial Statements	253-256 & 284
7.	Dividends	The Board of Directors have recommended the payment of a first and final dividend of Rs.1/- per ordinary share to the Shareholders of the Bank for the financial year ended 31st December 2025, subject to obtaining the approval of the Shareholders at the forth-coming Annual General Meeting. The Board of Directors was satisfied that the Bank would meet the solvency test immediately after the payment of final dividend proposed, in terms of the Section 31(3) of the Companies Act. The Board provided the Statement of Solvency to the Auditors and obtained a Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the statutory provision.	N/A
8.	Reserves	Note 42 to the Financial Statements - Statutory Reserve Fund	288
		Note 43 to the Financial Statements - Special Reserve	289
		Note 44 to the Financial Statements - Retained Earnings	289
		Note 45 to the Financial Statements - Fair Value Through Other Comprehensive Income (FVOCI) Reserve	289
		Note 46 to the Financial Statements - Revaluation Reserve	290
		Statement of Changes in Equity	227

ANNUAL REPORT OF THE BOARD OF DIRECTORS' ON THE AFFAIRS OF THE BANK

No.	Disclosure Requirement	Disclosure Reference	Page/ pages
9.	Capital Expenditure	The expenditure on Property, Plant & Equipment made during the year 2025 amounted to Rs. 514,000 (000'), details of which are given in Note 29 to the Financial Statements. The expenditure on Intangible Asset during the year 2025 amounted to Rs. 168,562 (000'), details of which are given in Note 31 to the Financial Statements.	274 & 281
10.	Capital Commitments	Capital expenditure approved and contracted for and approved and not contracted for as at 31st December 2025 is given in Note 53.1.1. to the Financial Statements.	328
11.	Property, Plant and Equipment	Note 29 to the Financial Statements	272-277
12.	Market Value of Freehold Land and Building	The Bank applies Revaluation model in LKAS 16 - Property, Plant and Equipment to the entire class of freehold lands and buildings. Such properties are revalued every three years or more frequently if the fair values are substantially different from the carrying values. Accordingly, all freehold lands and buildings of the Banks were revalued as at 31st December 2025 by a professionally qualified independent valuer. The results of the revaluation were brought into the Financial Statements to ensure that the carrying amount of such properties reflects the market prices prevailed at that time.	N/A
		Note 29 to the Financial Statements- Property, Plant and Equipment.	272-277
13.	Statutory Payments	The Board of Directors are satisfied to the best of their knowledge and belief, that statutory payments to all authorities have been paid up to date, on a timely basis.	N/A
14.	Re-elections	In terms of Article No's. 82 and 83 of the Articles of the Association of the Bank, Dharshanie Perera and Ashoka Goonesekere retire by rotation and being eligible offer themselves for re-election, on a unanimous recommendation by the Board Nominations and Governance Committee and the Board of Directors. In terms of Article 89 of the Articles of the Association of the Bank, there were no Directors appointed under casual vacancies during the year 2025.	N/A
		Notice of Meeting	371
		Form of Proxy	375
15.	Internal Controls and Risk Management	The Board of Directors have put in place an effective and comprehensive system of internal controls covering financial operations, compliance and risk management which are required to carry on the business of banking prudently and ensure as far as possible, accuracy and reliability of records.	N/A
		Risk Management.	76-88
		Directors' Statement on Internal Control Over Financial Reporting.	180-181
16.	Directors' Responsibility for Financial Reporting	The Directors are responsible for the preparation of Financial Statements of the Bank to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and Companies Act No. 07 of 2007 Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act No. 30 of 1998 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.	214

<table>
<tr><th>No.</th><th>Disclosure Requirement</th><th>Disclosure Reference</th><th>Page/ pages</th></tr>
<tr><td>17.</td><td>Corporate Governance</td><td>The Bank has complied with the CBSL Banking Act Directions on Corporate Governance and Colombo Stock Exchange Listing Rules on Corporate Governance.</td><td>N/A</td></tr>
<tr><td></td><td></td><td>Corporate Governance Report</td><td>127-179</td></tr>
<tr><td>18.</td><td>Related Party Transactions</td><td>The Board confirms that section 9 of the Listing Rules of Colombo Stock Exchange has been complied with in respect of Related Party Transactions.

The Board further confirms that the Bank has not been engaged in transactions with any related party in a manner that would grant such party a ‘more favourable treatment’ than it is accorded to other similar unrelated parties.</td><td>N/A</td></tr>
<tr><td></td><td></td><td>Note 55 to the Financial Statements - Related Party Disclosure.</td><td>329-330</td></tr>
<tr><td>19.</td><td>Directors’ Interest in Shares and Debentures</td><td><table>
<tr><th>Name of Director</th><th>No of Shares As at 01.01.2025</th><th>No. of Shares As at 31.12.2025</th></tr>
<tr><td>Aravinda Perera</td><td>-</td><td>-</td></tr>
<tr><td>B D A Perera</td><td>-</td><td>-</td></tr>
<tr><td>Sandra Walgama</td><td>-</td><td>-</td></tr>
<tr><td>Kawshi Amarasinghe</td><td>-</td><td>-</td></tr>
<tr><td>Malik Ranasinghe</td><td>-</td><td>-</td></tr>
<tr><td>Dharshanie Perera</td><td>-</td><td>-</td></tr>
<tr><td>Ashoka Goonesekere</td><td>-</td><td>-</td></tr>
<tr><td>Naleen Edirisinghe</td><td>1,950</td><td>1,950</td></tr>
</table></td><td>N/A</td></tr>
<tr><td>20.</td><td>Material Business Relationships</td><td>Based on the individual declarations obtained from the Directors, it was evident that none of the Directors or their close family members have any business relationships with other Directors of the Bank.</td><td>N/A</td></tr>
<tr><td>21.</td><td>Regulatory Compliance and Awareness</td><td>The Directors have made themselves aware of laws, rules, and regulations applicable to the Bank and, are aware of changes to the Colombo Stock Exchange Listing Rules and applicable capital market provisions. Further the Bank is not aware of any material non-compliance with law or regulations and any fines, which are material, imposed by the government or regulatory authority.</td><td>N/A</td></tr>
<tr><td>22.</td><td>Shareholding and Share Information</td><td>Investor Relations</td><td>360-364</td></tr>
<tr><td>23.</td><td>Equitable Treatment of Shareholders</td><td>The Bank has at all times ensured that all shareholders are treated fairly and equitably.</td><td>N/A</td></tr>
<tr><td>24.</td><td>Employee Share Ownership/ Option Plans (ESOP)</td><td>The Bank did not initiate or establish any Employee Share Ownership/ Option Plans during the year 2025.</td><td>N/A</td></tr>
<tr><td>25.</td><td>Debentures</td><td>The details of all Debentures of the Bank are given in Note 40 to the Financial Statements.</td><td>288</td></tr>
<tr><td>26.</td><td>Register of Directors and Secretaries</td><td>The Bank maintains a Register of Directors and Secretaries containing relevant information as required under Section 223 (1) of the Companies Act.</td><td>N/A</td></tr>
</table>

ANNUAL REPORT OF THE BOARD OF DIRECTORS' ON THE AFFAIRS OF THE BANK

No.	Disclosure Requirement	Disclosure Reference	Page/ pages
27.	Board Committees	The Board of Directors, while assuming the overall responsibility and accountability for the management oversight of the Bank, has also appointed Board Committees to ensure that the activities of the Bank are conducted with the highest ethical standards and the best interests of all its stakeholders. The Board of Directors has formed 10 Board Committees which are as follows : • Mandatory Board Committees as required by the Banking Act Directions - 5 • Mandatory Board Committees as required by Section 9 of the Listing Rules of Colombo Stock Exchange - 4 • Voluntary Committees - 5 The appointments to these committees have been made based on knowledge and expertise of each Director in conformity with relevant laws and regulations.	N/A
		Board Committee Reports	183-203
		Corporate Information (Inner Back Cover)	IBC
28.	Directors' Meetings	Attendance of the Directors during the Year 2025	149
29.	New Branches	Three (03) new branches were opened during the year under review, bringing the total number of branches to 88 at the end of 2025.	N/A
30.	Going Concern Assessment	The Board of Directors, after making the necessary inquiries and carrying out reviews including the assessment of the Bank's budget for the ensuing year, capital expenditure plans, future prospects and risks, cash flow projections, and such other matters required to be addressed under Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka, is satisfied that the Bank has adequate resources to continue operations into the foreseeable future. In preparing these budgets and cash flow forecasts, the Bank considered the prevailing macro-economic environment, anticipated trends in interest rates and liquidity, regulatory capital requirements, and the Bank's funding and risk profile. The Board of Directors evaluated the adequacy of the Bank's financial resources under both expected and stressed operating conditions. The Bank has conducted stress tests on its capital and liquidity positions to assess its resilience under adverse scenarios. The outcomes of these assessments indicate that the Bank's Capital and Liquidity ratios remain above the regulatory minimums prescribed by the Central Bank of Sri Lanka. Accordingly, the Bank continues to adopt the going concern basis in preparing its Financial Statements.	N/A

No.	Disclosure Requirement	Disclosure Reference	Page/ pages
31.	Policy on Matters Relating to the Board of Directors	The policy on matters relating to the Board of Directors is in place.	N/A
32.	Fitness and Propriety Assessment	The Directors and the CEO of the Bank have declared that they have continuously satisfied the fit and proper assessment criteria stipulated in the listing rules of the Colombo Stock Exchange during the financial year 2025.	N/A
33.	Events after the Reporting Period	No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to or disclosures in the accounts, except those disclosed in the Financial Statements.	N/A
		Note 56 to the Financial Statements - Events after Reporting Period.	330
35.	Sustainability	The Board maintained strategic oversight of the Bank's sustainability and ESG agenda during 2025, supported by the Board Sustainability Committee and the Sustainability Management Committee. Sustainability considerations were further embedded into governance structures, risk management, and key decision-making processes in line with the Bank's long-term strategy. During the year, the Bank enhanced its sustainability framework to align with ESG priorities, the Central Bank of Sri Lanka's Sustainable Finance Roadmap, and emerging climate-related disclosure requirements. The Board also oversaw continued progress in integrating climate resilience into credit evaluation, product development and operational risk management. Sustainability and ESG factors were incorporated into medium-term strategic planning to support responsible, long-term value creation. Further information on sustainability initiatives, ESG performance and climate-related risk management is provided in the Sustainability Report and the Management Discussion and Analysis.	89-106
36.	Environment Protection	The Bank has not engaged in any activity that is harmful or hazardous to the environment. to the best knowledge of the Board of Directors. The Board of Directors also confirm that to the best of their knowledge and belief, the Bank has complied with the relevant environmental laws and regulations.	N/A
35.	Outstanding Litigation	In the opinion of the Board of Directors who in consultation with the Bank's lawyers and external counsels have established that litigation currently pending against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.	N/A
		Note 53.2 to the Financial Statements – Material Litigation Against the Bank.	328

ANNUAL REPORT OF THE BOARD OF DIRECTORS' ON THE AFFAIRS OF THE BANK

Annual General Meeting

In complying with the good governance practices, the Annual Report of the Bank is dispatched to Colombo Stock Exchange and shareholders as per the regulatory requirements after the end of the financial year and completion of the audit of financial statements.

The Annual General Meeting will be held as a virtual meeting on 31st March 2026. The Notice of Meeting can be found on page 371 of the Annual Report 2025.

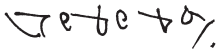
Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors;



Aravinda Perera
Chairman



B D A Perera
Deputy Chairman/Senior Independent Director



Naleen Edirisinghe
Director/Chief Executive Officer



Nayantha Fernando
Company Secretary

Colombo, Sri Lanka
16th February 2026

DIRECTORS' INTEREST REGISTER

Director's / Company Name	Relationship	Assets/Liabilities/ Off Balance Sheet Accommodation	Balance Outstanding as at 31.12.2025 Rs 000
Aravinda Perera			
Royal Ceramics Lanka PLC	Managing Director	Deposits	648
Singer Finance Lanka PLC	Chairman	Deposits	8,710
		Loans and Advances	333,440
Fentons Limited	Director	Deposits	16,393
		Off Balance Sheet Accommodations	5,283
Hayleys Aventura (Private) Limited	Director	Deposits	26
Rocell Bathware Limited	Director	Deposits	270
B D A Perera			
L B Finance PLC	Executive Director	Deposits	2,408,403
Associated Motor Finance Company PLC	Director	Deposits	1,737
Kawshi Amarasinghe			
Greener Water Limited	Director	Deposits	22,134
Vallibel One PLC	Director	Deposits	121,278
		Off Balance Sheet Accommodations	40,327
Hayleys Leisure PLC	Director	Deposits	9,260
Singer Sri Lanka PLC	Director	Deposits	1,800,524
Ashoka Goonesekere			
HNB Assurance PLC	Senior Director	Deposits	28
Distilleries Company of Sri Lanka PLC	Director	Deposits	43

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibilities of the Directors in relation to the Financial Statements of the Bank prepared in accordance with the Provisions of the Companies Act No. 07 of 2007 is set out in the following statements. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Report of the External Auditors given on pages 219 to 223 of the Annual Report.

In terms of Sections 150 (1) and 151 (1) of the Companies Act No.07 of 2007, the Directors of the Bank are responsible for ensuring that the Bank prepares the Financial Statements that gives a true and fair view of the state of affairs of the Bank as at the date of the Statement of Financial Position and the profit of the Bank for the financial year ended on the date of the Statement of Financial Position and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31st December 2025, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Bank give a true and fair view of;

a) the state of affairs of the Bank as at the date of the Statement of Financial Position and

b) the profit of the Bank for the financial year ended on the date of the Statement of Financial Position.

The Financial Statements of the Bank have been certified by the Bank's Chief Financial Officer, the person responsible for their preparation, as required by the Act. The Financial Statements of the Bank have been signed by the Chairman, the Deputy Chairman, the Director/Chief Executive Officer and the Company Secretary of the Bank on 16th February 2026 as required by the 150 (1) of the Companies Act No. 07 of 2007.

Under 148 (1) of the Companies Act, it is the overall responsibility of the Directors to oversee and ensure to keep proper accounting records which correctly record and explain the Bank's transactions with reasonable accuracy at any time and to enable the Directors to prepare Financial Statements, in accordance with the said Act and also to enable the Financial Statements to be readily and properly audited.

The Directors in preparing these Financial Statements are required to ensure that;

I. The appropriate accounting policies have been selected and applied in a consistent manner and material departures have been disclosed and explained if any.

II. The judgements and estimates that are reasonable and prudent are made.

III. All applicable accounting standards, as relevant have been followed.

The Directors are also required to ensure that the Bank has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. The Financial Statements prepared and presented in the report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto and the Continuing Listing Rules issued by the Colombo Stock Exchange.

In view of this Directors have taken adequate efforts on inspecting financial reporting system through Board Audit Committee Meetings and granting approvals for issuing of Interim and Annual Financial Statements.

The Board of Directors have also instituted an effective and comprehensive system of Internal Controls. This comprises internal checks, Internal Audits and the whole system of financial and other controls required to carry on the banking business in an orderly manner, safeguard assets, prevent and detect frauds and other irregularities and secure as far as practicable, the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st December 2025 is given on pages 180 & 181 of the Annual Report, "Directors' Statement on Internal Controls Over Financial Reporting''. External Auditors' Assurance Report on the Bank's Internal Controls Over Financial Reporting is given on page 182 of the Annual Report.

The Bank's External Auditors, Messrs Ernst and Young carried out reviews and sample checks on the system of Internal Controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them together with all financial records, related data and minutes of shareholders' and Directors meetings and expressed their opinion which appears as reported by them on pages 219 to 223 of this Annual Report.

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to all regulatory and statutory authorities which were due and payable by the Bank were paid, or where relevant provided for.

As required by Section 56(2) of the Companies Act, the Directors have made an assessment of the Solvency of the Bank, immediately after the payment of the proposed final dividend of Rs 1.00 per share for the year ended 31st December 2025 and confirm that the Bank satisfies the Solvency Test as required by Section 57 of the Companies Act. The Directors have also obtained the Certificate of Solvency from the External Auditors.

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

By Order of the Board



Nayantha Fernando
Company Secretary

Colombo, Sri Lanka
16th February 2026

CEO'S AND CFO'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements of Pan Asia Banking Corporation PLC ("the Bank") for the year ended 31st December 2025 have been prepared in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- Companies Act No.07 of 2007 and amendments thereto
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Banking Act No. 30 of 1988 and amendments thereto
- Directions, Determinations, Circulars and Guidelines issued by the Central Bank of Sri Lanka (CBSL)
- The Listing Rules of the Colombo Stock Exchange.
- Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.
- Code of Best Practice on Corporate Governance 2023 issued by ICASL

The Bank presents its financial results to its shareholders on quarterly basis. The formats used in the preparation of the Financial Statements and disclosures made in the annual report and the interim financial statements comply with the formats prescribed by the Central Bank of Sri Lanka. The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank. There are no material departures from the prescribed Accounting Standards in their adoption. The significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Board Audit Committee and the External Auditors. Comparative information has been reclassified wherever necessary to comply with the current presentation.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. The Board of Directors has carried out an assessment on the ability of the Bank to continue as a going concern taking into consideration the potential implications of the changes in economic environment prevailing in the country, the associated uncertainties and the potential implications on the business environment. Based on the above assessment we remain confident on the appropriateness of adopting going concern basis for the preparation of the Financial Statements.

The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented. To ensure this, the Bank has taken proper and sufficient care in installing a system of Internal Control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Bank's Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of Internal Controls and accounting.

Further the Board assessed the effectiveness of the Bank's Internal Controls over Financial Reporting during the year ended 31st December 2025, as required by the Banking Act Direction No. 05 of 2024 on Corporate Governance, result of which is given on pages 127 and 148 in the Annual Report, the "Directors' Statement on Bank's Internal Controls over Financial Reporting". In addition "External Auditors' Assurance Report on the Bank's Internal Controls over Financial Reporting" is given on page 182 of the Annual Report which has provided an unmodified opinion.

The Financial Statements of the Bank were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on pages 219 to 223 of the Annual Report. The Board Audit Committee of the Bank meets periodically with the Internal Audit team and the independent External Auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on Internal Controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Audit Committee approves the audit and non audit services provided by External Auditors, Messrs Ernst & Young, in order to ensure that the provision of such services does not impair independence of the External Auditors and does not contravene the guidelines issued by Central Bank of Sri Lanka on permitted non-audit services.

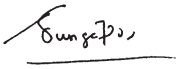
The Bank has taken appropriate action to implement New Sri Lanka Accounting Standards on due dates and all the processes are in place to address the requirements of the new Sri Lanka Accounting Standards.

We confirm to the best of our knowledge;

- The Bank has complied with all applicable laws, regulations and prudential requirements
- In the opinion of the Bank's legal council, the litigations which are currently pending will not have a material impact on the reported financial results or future operations of the Bank.
- There are no material non-compliances
- All taxes, duties, levies and all statutory payments by the Bank and all contributions, levies and taxes paid on behalf of and in respect of the employees of the Bank as at the Statement of Financial Position date have been paid or where relevant provided for.



Naleen Edirisinghe
Director/Chief Executive Officer



Suranga Fernando
Chief Financial Officer

Colombo, Sri Lanka
16th February 2026

BANK'S COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

Pan Asia Bank conducts its business in accordance with the laws and regulations imposed by the regulatory authorities in line with the Bank's internal policies and codes of conduct. Compliance risk is the risk arising out of non-compliance with applicable laws, regulations, code of conduct and standard of best practice.

Compliance Framework

The Bank's compliance policies and procedures are approved by the Board of Directors. The Compliance Policy communicates the Bank's compliance philosophy, the fundamental principles of the compliance function, and the general structure and processes by which relevant areas within the Bank address compliance risks in an appropriate and timely manner.

Compliance culture of the Bank drives through the Board of directors with the blessing of the Board Integrated Risk Management Committee.

The Compliance department plays a critical role in mitigating compliance risks arising from day-to-day operations. Bank's independent Compliance function ensures full compliance with all legislations applicable to licensed commercial Banks in Sri Lanka and any other relevant regulations as well as industry best practices. Periodical reviews are conducted to ensure the Bank's operations are within the boundaries set by the Bank and its Regulators. The department is independently operated and reports directly to the Board Integrated Risk Management Committee (BIRMC).

Further, the compliance function strives to instil an organisation wide compliance culture emphasising standards of honesty and integrity. The department attempts to inculcate this via regular training programs carried out based on a periodic training need analysis to ensure that all employees are adequately aware of the regulatory compliance requirements, and procedures. Further, all newly recruited staff members are trained on the induction programme.

The Compliance Department prepares a detailed monthly report based on statutory and mandatory reporting requirements and obtains confirmation from all business units and branch heads that they adhere to all applicable laws and regulations. On a quarterly basis a comprehensive report is submitted to the Board Integrated Risk Management Committee (BIRMC).

Anti Money Laundering and Combating for Financing of Terrorism (AML/CFT) Compliance

The Bank has established a sound framework for AML/CFT compliance based on relevant laws enacted by the Government of Sri Lanka to combat money laundering/terrorist financing and in line with the Customer Due Diligence rules issued by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka.

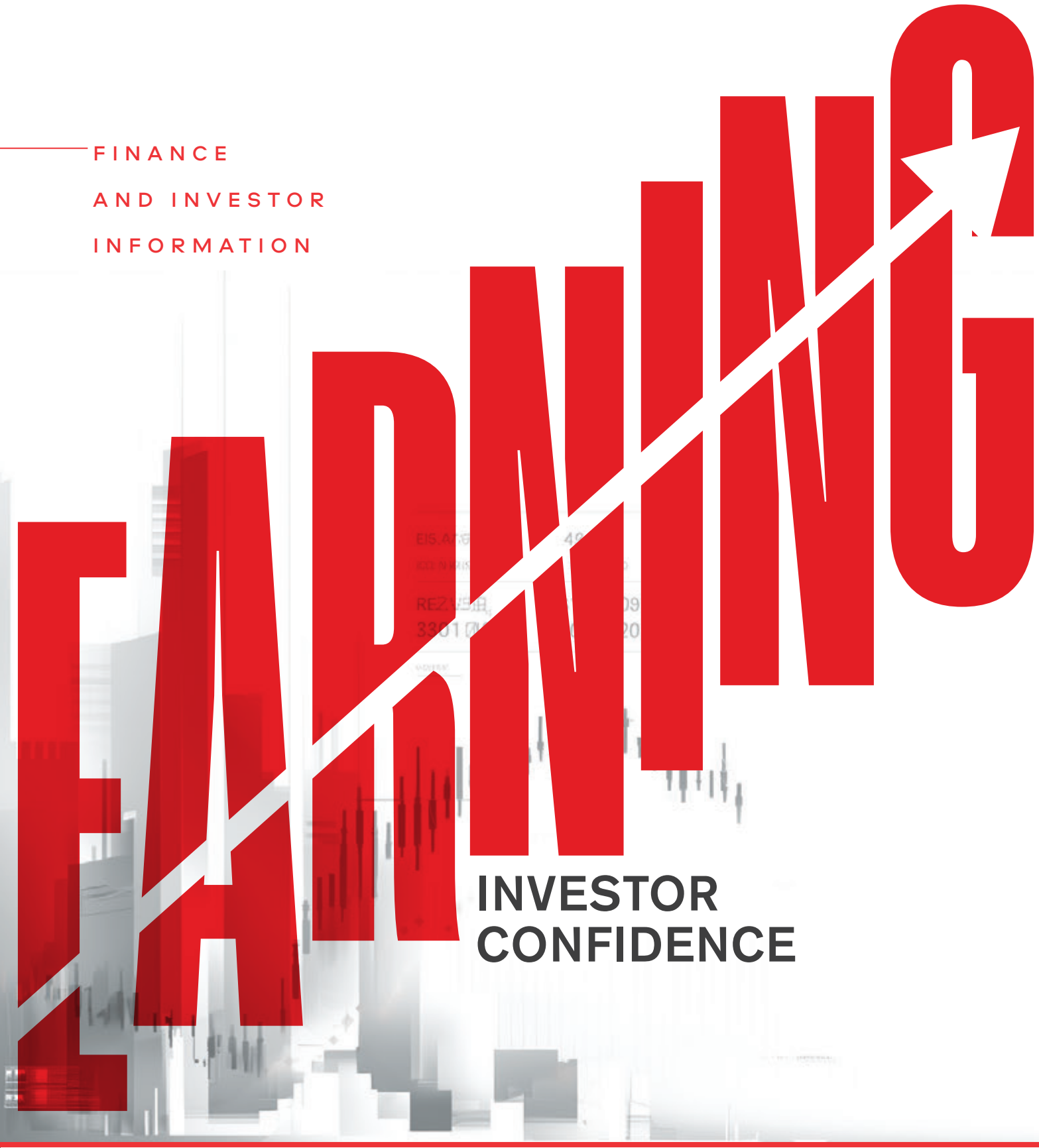
A separate policy for AML/CFT has been approved by the Board of Directors and is reviewed periodically. The Bank's AML Policy applies to all branches/departments and ensures strict compliance with all existing laws and regulatory requirements.

The Bank takes all reasonable steps to verify the identity of the customers in accordance with the directions issued by the FIU. Systems are also available to ensure that Know Your Customer (KYC) and Customer Due Diligence (CDD) information is collected and kept up-to-date and that identification details are updated when changes occur. Accordingly, accounts are categorised based on the risk level of the customer and due diligence and monitoring is carried out as per the risk-based approach. Compliance risk assessments were carried out to ensure that business units adhere to regulations, internal policies, and procedures.

All new products and procedures are carefully checked to ensure they comply with the regulatory requirements prior to approval and launch.
The Bank ensures that operating instructions are reviewed and signed off by Compliance, Risk Management, Legal, Finance and the Internal Audit departments as required.

Further, the department carries out a risk assessment of different products offered by the Bank, to identify any regulatory risks associated with products and to initiate required preventive measures to minimise the possible risk to the Bank.

FINANCE AND INVESTOR INFORMATION



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FINANCIAL CALENDAR

2025	
1st Quarter Unaudited Interim Results 2025	May 2025
2nd Quarter Unaudited Interim Results 2025	August 2025
3rd Quarter Unaudited Interim Results 2025	November 2025
4th Quarter Unaudited Interim Results 2025	February 2026
Annual Report for Year 2025	March 2026
31st Annual General Meeting	March 2026

2026	
1st Quarter Unaudited Interim Results 2026	May 2026
2nd Quarter Unaudited Interim Results 2026	August 2026
3rd Quarter Unaudited Interim Results 2026	November 2026
4th Quarter Unaudited Interim Results 2026	February 2027
Annual Report for Year 2026	March 2027
32nd Annual General Meeting	March 2027

INDEPENDENT AUDITOR'S REPORT

Shape the future with confidence

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
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ey.com

TO THE SHAREHOLDERS OF PAN ASIA BANKING CORPORATION PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pan Asia Banking Corporation PLC ("the Bank"), which comprise the statement of financial position as at 31st 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.

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

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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 our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

Shape the future with confidence

Ernst & Young
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ey.com

Key Audit Matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of Loan and Advances measured at amortised cost Allowances for expected credit losses of Loans and Advances measured at amortised cost as stated in Note 26 is determined by management based on the accounting policies described in Note 2.8.6 to the financial statements. This was a key audit matter due to • the significant management judgements, assumptions and the high level of estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, forward-looking macroeconomic scenarios and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity. Information on the key estimates, assumptions and judgements is disclosed in Note 49.2.	In addressing the allowances for expected credit losses of loan and advances measured at amortised cost, our audit procedures included the following key procedures: • Assessed the alignment of the Bank's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board of Directors 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 Bank. • Evaluated the reasonableness of credit quality assessments and related stage classifications • In addition to the above, the following procedures were performed: • For loans and advances assessed on an individual basis for impairment: • Tested the arithmetical accuracy of the underlying individual impairment calculations. • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals.

Key Audit Matter	How our audit addressed the key audit matter
	• For loans and advances assessed on a collective basis for impairment: • Tested the key inputs and the calculations used in the allowances for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays in consideration of impact arising from the 'Ditwah' cyclone. • Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. • Assessed the adequacy of the related financial statement disclosures set out in notes 26 and 49.2.
Information Technology (IT) systems related internal controls over financial reporting Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were identified as a key audit matter.	Our audit procedures included the following key procedures: • Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved our internal specialised resources and; • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and • Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. • Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the Bank's 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Shape the future with confidence

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Chartered Accountants
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Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. 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 Bank's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Legal and Other Regulatory Requirements

Requirements of section 163(2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No.24 of 2024)

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Bank.

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.



16 February 2026
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st December	Notes	2025 Rs 000	2024 Rs 000	Change %
Gross Income	5	34,045,354	28,831,598	18
Interest Income		30,703,436	30,781,725	-
Less: Interest Expense		17,955,564	18,645,983	(4)
Net Interest Income	6	12,747,872	12,135,742	5
Fee and Commission Income		2,608,013	1,906,725	37
Less: Fee and Commission Expense		92,168	69,579	32
Net Fee and Commission Income	7	2,515,845	1,837,146	37
Net Gains from Trading	8	508,386	753,368	(33)
Net Fair Value Losses from Financial Assets at Fair Value through Profit or Loss	9	(51,774)	(70,282)	26
Net Gains from Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	10	278,634	23,609	1,080
Net Other Operating Gains/(Losses)	11	(1,341)	(863,181)	100
Total Operating Income		15,997,622	13,816,402	16
Less: Net Losses on Derecognition of Sri Lanka International Sovereign Bonds	12	-	3,700,366	(100)
Impairment Charges/(Reversals)	13	520,807	(5,061,213)	110
Net Operating Income		15,476,815	15,177,249	2
Less: Operating Expenses				
Personnel Expenses	14	3,633,022	3,507,771	4
Depreciation and Amortisation Expenses	15	631,239	540,209	17
Other Operating Expenses	16	3,565,268	3,231,028	10
Total Operating Expenses		7,829,529	7,279,008	8
Operating Profit Before Taxes on Financial Services		7,647,286	7,898,241	(3)
Less: Taxes and Levies on Financial Services	17	1,826,999	1,870,732	(2)
Profit Before Tax		5,820,287	6,027,509	(3)
Less: Income Tax Expense	18	1,814,709	1,892,793	(4)
Profit for the Year		4,005,578	4,134,716	(3)
Earnings Per Share - Basic/Diluted (Rs.)	19.1	9.05	9.34	(3)
Dividend Per Share (Rs.)	19.2.2	1.00*	1.00	

*First and final cash declared, is to be approved by the shareholders at the Annual General Meeting to be held on 31st March 2026.

The Notes to the Financial Statements on pages 229 to 335 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Notes	2025 Rs 000	2024 Rs 000	Change %
Profit for the Year		4,005,578	4,134,716	(3)
Other Comprehensive Income				
Items that will be Reclassified to Profit or Loss				
Debt Instruments at Fair Value through Other Comprehensive Income				
Net Fair Value Gains arising on Remeasurement	45	235,384	259,508	(9)
Reclassification of Gains to Profit or Loss due to Derecognition	45	(278,634)	(23,609)	(1,080)
		(43,250)	235,899	(118)
Deferred Tax Effect on the above	45 & 18.2	12,975	(70,770)	118
Net Other Comprehensive Income/(Losses) to be Reclassified to Profit or Loss	45	(30,275)	165,129	(118)
Items that will not be Reclassified to Profit or Loss				
Revaluation Surplus on Freehold Land and Buildings	46 & 29.1	112,088	93,122	20
Deferred Tax Effect on the above	46 & 18.2	(33,626)	(27,937)	(20)
	46	78,462	65,185	20
Actuarial Gains/(Losses) on Defined Benefit Plan	39.1	1,698	(106,088)	102
Deferred Tax Effect on the above	18.2	(509)	31,826	(102)
		1,189	(74,262)	102
Net Other Comprehensive Income/(Losses) not to be Reclassified to Profit or Loss		79,651	(9,077)	977
Total Other Comprehensive Income for the Year, Net of Tax		49,376	156,052	(68)
Total Comprehensive Income for the Year		4,054,954	4,290,768	(5)

The Notes to the Financial Statements on pages 229 to 335 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Notes	2025 Rs 000	2024 Rs 000	Change %
Assets				
Cash and Cash Equivalents	20	5,273,592	3,413,701	54
Balances with Central Bank of Sri Lanka	21	11,847,843	5,499,181	115
Placements with Banks	22	1,049,717	-	100
Reverse Repurchase Agreements	23	2,531,544	1,001,140	153
Derivative Financial Instruments	24	158,553	79,869	99
Financial Assets at Fair Value through Profit or Loss	25	2,577,568	13,107,697	(80)
Financial Assets at Amortised Cost				
-Loans and Advances	26	208,052,059	151,069,047	38
-Debt and Other Instruments	27	55,056,833	63,348,832	(13)
Financial Assets at Fair Value through Other Comprehensive Income	28	14,336,711	19,347,634	(26)
Property, Plant and Equipment	29	3,356,173	2,926,217	15
Right-of-Use Assets	30	1,488,444	1,409,786	6
Intangible Assets	31	391,016	328,682	19
Deferred Tax Assets	18.2	212,056	27,357	675
Other Assets	32	1,683,686	1,303,869	29
Total Assets		308,015,795	262,863,012	17
Liabilities				
Due to Banks	33	13,052,683	8,893,612	47
Repurchase Agreements	23	20,241,528	25,345,992	(20)
Derivative Financial Instruments	24	26,685	58,248	(54)
Financial Liabilities at Amortised Cost				
-Due to Depositors	34	231,039,744	191,293,162	21
-Due to Debt Securities Holders	35	4,998,322	1,592,971	214
Subordinated Debentures	40	-	872,839	(100)
Retirement Benefit Obligations	39.2	762,826	682,806	12
Current Tax Liabilities	36	1,419,410	1,156,336	23
Other Provisions and Accruals	37	804,821	1,033,202	(22)
Other Liabilities	38	5,279,606	5,156,066	2
Total Liabilities		277,625,625	236,085,234	18
Equity				
Stated Capital	41	3,614,253	3,614,253	-
Statutory Reserve Fund	42	1,394,753	1,194,474	17
Special Reserve	43	595,771	595,771	-
Retained Earnings	44	23,331,770	19,954,770	17
Fair Value Through Other Comprehensive Income (FVOCI) Reserve	45	134,854	165,129	(18)
Revaluation Reserve	46	1,318,769	1,253,381	5
Total Equity		30,390,170	26,777,778	13
Total Equity and Liabilities		308,015,795	262,863,012	17
Commitments and Contingencies	53	98,210,306	57,054,510	72
Net Assets Value Per Ordinary Share	50	68.67	60.51	13

The Notes to the Financial Statements on pages 229 to 335 form an integral part of these Financial Statements.

Certification

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Suranga Fernando
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board by;

Aravinda Perera	B. D. A. Perera	Naleen Edirisinghe	Nayantha Fernando
Chairman	Deputy Chairman	Director/Chief Executive Officer	Company Secretary

16th February 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

	Notes	Stated Capital	Reserves					Total
		Ordinary Voting Shares	Statutory Reserve Fund	Special Reserve	Retained Earnings	FVOCI Reserve	Revaluation Reserve	
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 01st January 2024		3,614,253	987,738	-	16,794,390	-	1,201,270	22,597,651
Total Comprehensive Income for the Year								
Profit for the Year	44	-	-	-	4,134,716	-	-	4,134,716
Other Comprehensive Income/(Losses) for the Year	44, 45 & 46	-		-	(74,262)	165,129	65,185	156,052
		-	-	-	4,060,454	165,129	65,185	4,290,768
Transactions with Equity Holders, Recognised Directly in Equity, Contributions by and Distributions to Equity Holders								
Final Dividend for 2023 - Cash	44	-	-	-	(110,640)	-	-	(110,640)
Total Transactions with Equity Holders		-	-	-	(110,640)	-	-	(110,640)
Other Transactions								
Transfer to Statutory Reserve Fund	42 & 44	-	206,736	-	(206,736)	-	-	-
Realisation of Revaluation Reserve	44 & 46	-	-	-	13,074	-	(13,074)	-
Transfer to Special Reserve	43 & 44	-	-	595,771	(595,771)	-	-	-
Total Other Transactions		-	206,736	595,771	(789,433)	-	(13,074)	-
Balance as at 31st December 2024		3,614,253	1,194,474	595,771	19,954,770	165,129	1,253,381	26,777,778
Total Comprehensive Income for the Year								
Profit for the Year	44	-	-	-	4,005,578	-	-	4,005,578
Other Comprehensive Income/(Losses) for the Year	44, 45 & 46	-		-	1,189	(30,275)	78,462	49,376
Total Comprehensive Income/(Losses) for the Year		-	-	-	4,006,767	(30,275)	78,462	4,054,954
Transactions with Equity Holders, Recognised Directly in Equity, Contributions by and Distributions to Equity Holders								
Final Dividend for 2024 - Cash	44	-	-	-	(442,562)	-	-	(442,562)
Total Transactions with Equity Holders		-	-	-	(442,562)	-	-	(442,562)
Other Transactions								
Transfer to Statutory Reserve Fund	42 & 44	-	200,279	-	(200,279)	-	-	-
Realisation of Revaluation Reserve	44 & 46	-	-	-	13,074	-	(13,074)	-
Total Other Transactions		-	200,279	-	(187,205)	-	(13,074)	-
Balance as at 31st December 2025		3,614,253	1,394,753	595,771	23,331,770	134,854	1,318,769	30,390,170

The Notes to the Financial Statements on pages 229 to 335 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31st December	Notes	2025 Rs 000	2024 Rs 000
Cash Flows from Operating Activities			
Profit Before Tax		5,820,287	6,027,509
Adjustments for:			
Non-Cash Items included in Profit Before Tax	51.4	1,318,147	456,740
Change in Operating Assets	51.2	(41,298,202)	(35,551,858)
Change in Operating Liabilities	51.3	37,710,317	39,918,736
Interest Expense on Subordinated Debentures	6 & 40	61,961	115,115
Interest Expense on Term Borrowings	6	24,742	724,388
Interest Expense on Lease Liabilities	6 & 30.2	156,777	137,514
Gratuity Paid	39.2	(63,904)	(61,238)
Income Tax Paid	36	(1,757,494)	(1,312,229)
Net Cash Flows Generated from Operating Activities		1,972,631	10,454,677
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	29.1	(514,000)	(196,418)
Proceeds from Sale of Property, Plant and Equipment		74	47
Purchase of Intangible Assets	31.1	(168,562)	(68,783)
Net Cash Flows Used in Investing Activities		(682,488)	(265,154)
Cash Flows from Financing Activities			
Proceeds from Term Borrowings	51.6	5,000,000	-
Repayment of Subordinated Debentures	40 & 51.6	(820,000)	-
Repayment of Term Borrowings	51.6	(1,576,645)	(11,212,083)
Interest Paid on Subordinated Debentures	40 & 51.6	(114,800)	(115,115)
Interest & Fees Paid on Term Borrowings	51.6	(43,224)	(826,670)
Dividend Paid	19.2 & 44	(442,562)	(110,640)
Repayment of Principal Portion of Lease Liabilities	51.6	(246,015)	(255,738)
Interest Paid on Lease Liabilities	51.6	(156,777)	(137,514)
Net Cash Flows Generated from/(Used in) Financing Activities		1,599,977	(12,657,760)
Net Increase/(Decrease) in Cash and Cash Equivalents		2,890,120	(2,468,237)
Net Foreign Exchange Difference		20,934	(357,949)
Cash and Cash Equivalents as at 01st January	51.1	3,414,202	6,240,388
Cash and Cash Equivalents as at 31st December	51.1	6,325,256	3,414,202

The Notes to the Financial Statements on pages 229 to 335 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Pan Asia Banking Corporation PLC ("the Bank") is a public quoted company incorporated on 06th March 1995 with a limited liability and domiciled in Sri Lanka. It is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is situated at No. 450, Galle Road, Colombo 03. The staff strength of the Bank as at 31st December 2025 is 1,604 (2024:1,567). The ordinary voting shares of the Bank have a primary listing on the Colombo Stock Exchange. The Bank does not have an identifiable parent of its own. Further, the Bank does not hold any investments in the form of subsidiary, joint venture or an associate.

1.2 Principal Activities and Nature of Operations

The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and business banking, retail banking, project financing, trade financing and services, treasury and investment services, issuing of credit cards and debit cards, offshore banking, resident and non-resident foreign currency operations, electronic banking services such as telephone banking, internet banking, mobile banking and money remittance facilities, pawning, leasing, travel related services and dealing in government securities etc.

There were no significant changes to the principal activities of the bank during the year under review.

2. BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Statement of Compliance

The Financial Statements of the Bank, which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE.

The formats used for preparation and presentation of Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka in Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also publishes annual and quarterly financial information and other disclosures in the Press and the Website in compliance with the aforementioned Circular.

The Bank did not adopt any inappropriate accounting treatments, which are not in compliance with the requirement of the SLFRSs and LKASs, regulations governing the preparation and presentation of financial statements.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements of the Bank as per the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

The Board of Directors acknowledges their responsibility for financial statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Bank" (pages 204 to 212 of the Annual Report 2025), "Statement of Directors Responsibility for Financial Reporting" (page 214 of the Annual Report 2025) and the certification on the Statement of Financial Position on page 226.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st December 2025 were authorised for issue by the Board of Directors on 16th February 2026.

2.4 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, except for defined benefit obligations actuarially valued at present value of the defined benefit obligation and the following material items which have been measured at fair value in the Statement of Financial Position:

- Financial assets at fair value through Profit or Loss (FVPL) - Note 25
- Financial assets at fair value through Other Comprehensive Income (FVOCI) - Note 28
- Derivative financial instruments at fair value - Note 24
- Freehold land and building stated at revalued amounts which are the fair values at the date of revaluation as explained in Note 29 to the Financial Statements

2.4.1 Functional and Presentation Currency

The Financial Statements of the Bank are presented in Sri Lankan Rupees (Rs) which is the currency of the primary economic environment in which the Bank operates (Bank's functional currency) unless indicated otherwise. There was no change in the Bank's presentation and functional currency during the year under review.

2.4.2 Rounding

Financial information in Sri Lankan Rupees (Rs) has been rounded to the nearest thousand ('000) unless indicated otherwise as permitted by LKAS 1 – Presentation of Financial Statements.

2.5 Impact of Recent Cyclonic and Flood Disasters

A severe tropical cyclone, Ditwah, affected Sri Lanka during late November to early December 2025, bringing exceptionally heavy rainfall that resulted in widespread flooding and landslides. The event caused extensive damage to public and private infrastructure across the country, particularly in the highland districts of Kandy, Badulla, Nuwara Eliya and surrounding areas. The cyclone disrupted economic activity across multiple sectors, including transportation, utilities, tourism and agriculture, exacerbating pressure and uncertainty in the domestic economy, which was still recovering from the recent economic crisis. It also adversely affected Sri Lanka's economic outlook for 2026, with projected GDP growth slowing due to reduced productive capacity, supply chain disruptions, lower consumer confidence and increased reconstruction and rehabilitation costs.

The Bank experienced limited but notable direct financial impacts arising from climate related physical risks associated with the cyclonic and flood events, together with indirect impacts on customers and counterparties operating in affected regions and industries. In response, the Bank implemented its business continuity measures and assessed the operational, financial and risk management implications arising from these events. The conditions resulting from the cyclonic and flood events existed as at the reporting date and, where applicable, the related financial effects have been recognised in the Financial Statements. In line with Central Bank of Sri Lanka Circular No. 04 of 2025, the Bank extended relief measures to affected individuals and businesses, including moratoriums and restructuring facilities, subject to eligibility criteria, and the impact of such measures has been reflected in the measurement of financial assets where material. Information relating to the current financial effects, anticipated financial effects and significant risks of material adjustments arising from climate related risks following these events is disclosed in the Sustainability Disclosure on pages 89 to 106 of the Annual Report.

The Bank and its customers are exposed to physical risks arising from climate change, including long term changes in climatic conditions and an increased frequency and severity of extreme weather events. Recent experiences of cyclonic and flood related disasters highlight the potential for climate related risks to have a material impact on asset quality, collateral values, business continuity and the broader operating environment in the Sri Lankan context. Management continues to closely monitor developments relating to climate related risks and considers such risks, where relevant, in applying judgements and estimates in the preparation of these Financial Statements.

2.5.1 Significant Accounting Judgements, Estimates and Assumptions

The management has made various estimates and exercised significant judgements where appropriate in these Financial Statements on forecasts of climate related changes/risks and the impact of cyclone 'Ditwah' and related floods, which reflect expectations and assumptions at the year-end about future events that the Board of Directors believes are reasonable in the circumstances. These judgements are based on information available as of 31st December 2025.

The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank. Accordingly, the actual results are likely to be different from those forecasts since anticipated events frequently do not occur as expected and the effect of those differences may significantly impact accounting estimates included in these Financial Statements. The estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognised prospectively. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and assessment of recoverable amounts of non-financial assets.

2.5.1.1 On Loans and Advances

The Bank extended various relief measures for customers impacted by recent cyclonic and flood disasters during the year which include loan repayment deferrals (debt moratoriums), restructuring and reschedulement options. These repayment deferral arrangements were deemed to be a continuation of customers' existing loan contracts and were therefore accounted for as 'non-substantial loan modifications'. No significant modification losses were recognised in the interest income relating to aforementioned relief measures during the year. (2024 – Nil). Interest income for the payment deferral period has been charged in accordance with the relevant regulatory directives and the terms of these modified credit facilities have been endorsed by the relevant borrowers. The details of modified financial assets are given in Note 49.2.7.1 to the Financial Statements.

2.5.1.2 On Expected Credit Losses (ECL)

In assessing the forecasted conditions, the management has incorporated the risks of climate related changes, the impact of cyclone 'Ditwah' and related floods and the government and other support measures, on a reasonable basis. The SLFRS 9 based impairment methodologies and the definition of 'Default' have remained consistent with prior year.

The Bank identified exposures potentially affected by the cyclone and floods based on geographic locations and sectoral exposures and downgraded between Stages as per internal assessments. Customers and portfolios with exposure to climate risk heightened the Bank's credit risk as it negatively affects the borrowers' ability to repay the loans and results in a deterioration in the value of underlying collateral pledged.

The Bank has examined detailed borrower specific assessments on climate related changes/risks and the impact of cyclone 'Ditwah' and the related floods, of individually significant customers when evaluating Significant Increase in Credit Risk (SICR) and ensured adequate provisions for ECL have been made in the Financial Statements as required. When assessing the ECL for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value were applied.

An analysis of exposures expected to be materially impacted by physical or transition risks associated with climate related changes is performed by the Bank when collectively evaluating the customers for ECL and ensures adequate provisions for ECL are made in the Financial Statements as required.

Given the uncertainty surrounding the borrower cash flows in affected regions and sectors, the management applied overlays and post-model adjustments on collective basis to address potential lag effects in recognising adequate provisions for ECL.

The management revised the probability weightings applied to multiple macro-economic scenarios by increasing the weightage assigned to the downside (worst-case) scenario and reducing the weightages applied to the most-likely (base-case) and upside (best-case) scenarios, to reflect the heightened uncertainty arising from the recent cyclonic and flood disasters 'Ditwah'. In addition, the Loss Given Default (LGD) assumptions were adjusted, where appropriate, to reflect potential collateral damage, extended recovery periods and delays in collateral realisation and insurance recoveries in affected areas. These adjustments were effected through management overlays and post-model adjustments, where the standard impairment model outputs were assessed as not fully capturing the credit risk conditions existing at the reporting date. The details of management overlays and post-model adjustments are given in Note 49.2.8 to the Financial Statements.

2.5.1.3 On Fair Value Measurement

The Bank has considered the impact of climate related changes/risks and the impact of cyclone 'Ditwah' and related floods, on fair value measurement assumptions and the appropriateness of the valuation inputs, in line with SLFRS 13 – Fair Value Measurement. The Bank has also considered this impact on the classification of exposures in the fair value hierarchy. There were no material transfers of financial instruments between levels within the fair value hierarchy because of climate related changes/risks and impact of cyclone 'Ditwah' and related floods.

2.5.1.4 On Assessment of Recoverable Amounts of Non-Financial Assets

The Bank assessed property, plant and equipment, right-of-use assets, intangible assets and other assets for indicators of impairment by giving special consideration to the impact of climate related changes/risks and the impact of cyclone 'Ditwah' and related floods, on the assessment of recoverable amounts of non-financial assets. However, no impairment losses were recognised to Profit or Loss to this extent.

2.5.1.5 On Events after the Reporting Date

Subsequent to 31st December 2025, the Bank obtained additional borrower-specific information relating to the impact of cyclone 'Ditwah' and related floods and processed relief measures in accordance with CBSL Circular No. 04 of 2025. Where such information provided evidence of conditions existing at the reporting date and its effects have been reflected in the measurement of ECL as at 31st December 2025, including through management overlays and post-model adjustments to address lag effects.

There remains significant uncertainty regarding how the impact of climate related changes/risks will evolve both locally and globally in future. The Bank considered whether the events after the reporting date confirmed conditions existing before the reporting date, in accordance with LKAS 10 - Events after the Reporting Period. Consideration was given to the changes in climatic conditions and extreme weather events.

The Bank did not identify any subsequent events precipitated by the impact of climate related changes/risks and the impact of cyclone 'Ditwah' and related floods which require adjustments to or disclosures in the Financial Statements. Given the flowing

nature of climate changes/risks, the Bank will continue to closely monitor the relevant changes and developments.

2.5.1.6 Mitigating Actions taken by the Bank

The cyclone 'Ditwah' and related floods highlighted the Bank's exposure to physical climate related risks. The Bank continues to strengthen its risk management framework including portfolio monitoring, stress testing, disaster recovery planning and operational resilience to mitigate the impact of similar events in the future to ensure the business continuity.

During the year ended 31st December 2025, the Bank closely monitored its liquidity and capital adequacy positions considering the potential repayment deferrals and increased working capital requirements of affected borrowers. The Bank maintained liquidity and capital adequacy ratios well above the minimum regulatory requirements and continues to monitor these positions under various stress scenarios.

2.6 Presentation of Financial Statements

The Bank presents its Statement of Financial Position broadly in order of liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52. Financial assets and financial liabilities are off-set and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not off-set in the Statement of Profit or Loss and the Statement of Comprehensive Income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.7 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities affected in future periods. In the process of applying the Bank's accounting policies, the management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the Financial Statements with substantial management judgement and/or estimates are collated below with respect to judgements/ estimates involved.

2.7.1 Going Concern

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

The severe tropical cyclone, 'Ditwah', and related floods and landslides have caused disruption to businesses and economic activities and created uncertainties in the local economy. Therefore, in the assessment of the existence of a material uncertainty, the management took into consideration the existing and anticipated effects of it on the Bank's activities based on all available information about the future that was obtained after the reporting date, up until the date on which the Financial Statements are authorised to issue.

Information relating to the current financial effects, anticipated financial effects and significant risks of material adjustments arising from climate related risks following the Ditwah cyclone and related floods and landslides, is disclosed in the Sustainability Disclosure on pages 89 to 106 of the Annual Report. The various estimates made, and the significant judgements exercised by the management where appropriate in these Financial Statements on forecasts of climate-related changes/risks and the impact of cyclone 'Ditwah' and related floods and landslides, which reflect expectations and assumptions at the year-end about future events that the Board of Directors believes are reasonable in the circumstances, are depicted in Note 2.5.

The Bank has implemented its business continuity measures and assessed the operational, financial and risk management implications arising from these events. The Bank extended relief measures to affected individuals and

businesses, including moratoriums and restructuring facilities, subject to eligibility criteria in line with the Central Bank of Sri Lanka Circular No. 04 of 2025.

The cyclone 'Ditwah' and related floods and landslides highlighted the Bank's exposure to physical climate-related risks. Towards mitigating the impact of similar events in the future, the Bank has taken steps to strengthen its risk management framework including portfolio monitoring, stress testing, disaster recovery planning and operational resilience to ensure the business continuity. In the meantime, subsequent to the cyclone 'Ditwah' and related floods and landslides, the Bank closely monitored its liquidity and capital adequacy positions considering the potential repayment deferrals and increased working capital requirements of affected borrowers. The Bank maintained liquidity and capital adequacy ratios well above the minimum regulatory requirements and continues to monitor these positions under various stress scenarios.

The management has considered the possible downsides that the cyclone 'Ditwah' and related floods and landslides which could impact the business operations of the Bank, in making this assessment. Based on the above proactive measures taken, robust risk management models that are in place, strong capital base and healthy liquidity buffers, the management is confident that the Bank has no impact to its business continuity and expects to manage the above challenges effectively. Given the flowing nature of climate-related changes/risks, the Bank continuously monitors the relevant changes and developments and takes necessary actions to manage its impact on the operations and performance of the Bank. Hence, the management is satisfied itself that the going concern basis is appropriate.

2.7.2 Classification of Financial Assets and Liabilities

The Bank's accounting policies provide the scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 47 - Analysis of Financial Assets and Liabilities by Measurement Basis.

2.7.3 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include model inputs such as volatility for discount rates.

The fair valuation of financial instruments is described in more detail in Note 48.

2.7.4 Impairment Losses on Financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a Significant Increase in Credit Risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Bank's Days-Past-Due (DPD) based model, which assigns Probabilities of Defaults (PDs) to the individual age bucket.
- The Bank's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a Life-Time Expected Credit Losses (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when its ECL is assessed on a collective basis.
- Development of ECL models, including various formulas and choice of input.
- Determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels, collateral values and the effect on Probability of Defaults (PDs), Exposure at Defaults (EADs) and Loss Given Defaults (LGDs).
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The impairment losses on financial assets as per SLFRS 9 are disclosed in more detail in Note 13, 20.1, 22.1, 26.6, 27.4 and 38.3.

2.7.5 Fair Value of Property, Plant and Equipment

The freehold land and buildings of the Bank are reflected at fair value. The management has determined that these constitute a class of assets under SLFRS 13, based on the nature,

characteristics and risks of the property. The Bank engages independent professional valuers to determine fair value of land and buildings. When current market prices of similar assets are available, such evidence is considered in estimating fair value of these assets using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Assumptions used are disclosed in Note 29.5.

2.7.6 Useful Lives, Methods of Depreciation and Residual Values of the Property, Plant and Equipment

The Bank reviews the useful lives, methods of depreciation and residual values of significant property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7.7 Defined Benefit Plan Obligation

The defined benefit plan obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are reviewed at each reporting date and disclosed in Note 39.

2.7.8 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with the future tax planning strategies.

2.7.9 Provisions, Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.8 Summary of Material Accounting Policies

The principal accounting policies adopted in preparation of these Financial Statements are set out below.

2.8.1 Foreign Currency Translation - Transactions and Balances

Transactions in foreign currencies are translated into the functional currency, which is Sri Lankan Rupees, using the spot rates of exchange prevailing at the dates on which the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are re-translated to Sri Lankan Rupees using the spot rate of exchange prevailing at the reporting date. All differences arising on non-trading activities are taken to 'Net Other Operating Gains/(Losses)' in Profit or Loss.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the rate of exchange prevailing at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in the Profit or Loss, except for differences arising on the retranslation of financial investments measured at fair value through other comprehensive income, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Sri Lankan Rupees using the spot exchange rates as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Sri Lankan Rupees at the exchange rates on the date that the fair value was determined.

Foreign currency differences arising on translation are generally recognised in Profit or Loss. However, foreign currency differences arising from the translation of following items are recognised in Other Comprehensive Income (OCI):

- Equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedges are effective.

The financial statements of the foreign currency banking unit are translated into the Bank's presentation currency as explained above except the application of the closing exchange rate for translation of the Profit or Loss, and Other Comprehensive Income.

Forward foreign exchange contracts are valued at the forward market rate ruling on reporting date. Resulting gains and losses are dealt under 'Net Gains/(Losses) from Trading' in Profit or Loss.

2.8.2 Financial Instruments - Initial Recognition

2.8.2.1 Date of Recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.8.2.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on its contractual terms and the business model for managing the instruments, as described in Notes 2.8.3.1.1 and 2.8.3.1.2. Financial instruments are initially measured at its fair value, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVPL), transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for a 'Day 1 Profit or Loss', as described below.

2.8.2.3 'Day 1' Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in Profit or Loss over the tenor of the financial instrument using the Effective Interest Rate (EIR) method. In cases where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in Profit or Loss when the inputs become observable, or when the instrument is derecognised.

2.8.2.4 Measurement Categories of Financial Assets and Liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised Cost, as explained in Note 2.8.3.1.
- Fair Value through Other Comprehensive Income (FVOCI), as explained in Notes 2.8.3.4 and 2.8.3.5.
- Fair Value through Profit or Loss (FVPL), as explained in Note 2.8.3.7.

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 2.8.3.2 and 2.8.3.3. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 2.8.3.7.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 2.8.3.7.

2.8.3 Financial Assets and Liabilities

2.8.3.1 Due from Banks, Loans & Advances and Financial Investments at Amortised Cost

The Bank only measures balances with foreign banks, placements with banks, reverse repurchase agreements, loans and advances and other debt instruments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2.8.3.1.1 Business Model Assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and in particular, the way those risks are managed.
- How managers of the business are compensated. (For example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or

'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.8.3.1.2 The SPPI Test

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.8.3.2 Derivatives Recorded at FVPL

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to a change in a specified interest rate, foreign exchange rate, financial instrument price, commodity price, index of prices or rates, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include cross currency swaps, forward foreign exchange contracts and interest rate swaps. Derivatives are recorded at fair value and carried as assets when its fair value is positive and as liabilities when its fair value is negative. Fully collateralised derivatives that are settled net in cash on a regular basis through clearing houses are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately in Note 24. Changes in the fair value of derivatives are included in 'Net Gains/ (Losses) from Trading' in Profit or Loss.

2.8.3.3 Financial Assets or Financial Liabilities Held for Trading

The Bank classifies financial assets as held for trading when they have been purchased primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value and dividend income are recognised in Profit or Loss. Interest income on held for trading assets is recorded in 'Interest Income'.

Included in this classification are debt securities, units and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.8.3.4 Debt Instruments at FVOCI

The Bank classifies debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income (OCI). Interest income and foreign exchange gains/(losses) are recognised in Profit or Loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is explained in Note 2.8.6.3. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Profit or Loss.

2.8.3.5 Equity Instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'Equity' under 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. Dividends are recognised in

'Net Other Operating Gains/(Losses) in Profit or Loss when the right to receive the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.8.3.6 Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.8.3.7 Financial Assets and Financial Liabilities Designated at FVPL

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by the management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. The management only designates an instrument at FVPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

or

- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy

or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative is prohibited.

2.8.3.8 Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the Financial Statements within 'Other Liabilities' at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss and under SLFRS 9, an ECL provision as set out in Note 38.3.

The premium received is recognised in the Statement of Profit or Loss in 'Fee and Commission Income' on a straight-line basis over the life of the guarantee.

Undrawn loan commitments, financial guarantees and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements. ECLs on undrawn credit commitments are added to the impairment allowances of the respective loan products and disclosed under Note 26.6.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 53 and Note 38.3 respectively.

2.8.4 Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2025 and 2024.

2.8.5 Derecognition of Financial Assets and Liabilities

2.8.5.1 Derecognition Due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that substantially it becomes a new loan/financial asset with the difference recognised as a derecognition/modification gain/(loss) to the extent that an impairment loss has not already been recorded. The newly recognised loans/financial assets are classified as Stage 1 for ECL measurement purposes unless the new loan/financial asset is deemed to be a Purchased or Originated Credit Impaired (POCI) financial asset.

When assessing whether or not to derecognise a loan to a customer or any other financial asset, amongst others, the Bank considers the following factors:

- Change in currency of the loan/financial asset
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss to the extent that an impairment loss has not already been recorded.

2.8.5.2 Derecognition Other Than for Substantial Modification

2.8.5.2.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank 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 Bank has retained.

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.8.5.2.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Profit or Loss.

2.8.6 Impairment Allowance for Financial Assets

2.8.6.1 Overview of Expected Credit Loss (ECL) Principles

The Bank calculates impairment allowances on financial assets in line with SLFRS 9 – 'Financial Instruments' and as per the CBSL Direction No. 13 of 2021 & No. 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities/Other Financial Assets in Licensed Banks. Accordingly, the Bank recognises an allowance for ECL

for all loans, debt & other financial instruments not held at FVPL, together with loan commitments, financial guarantee contracts, letters of credit and acceptances, in this section all referred to as 'Financial Instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The calculation of ECL for individually significant loans and grouping of financial assets measured on a collective basis are described in Note 49.2.2.6 and 49.2.2.7 respectively.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the life-time expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 2.8.6.2. The Bank's policies for determining if there has been a Significant Increase in Credit Risk (SICR) are set out in Note 49.2.2.5.

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 49.2.2.7.

The Bank has established a policy to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 49.2.2.5.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2: When a loan has shown a SICR since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Further, the Bank includes credit facilities restructured up to 2 times under Stage 2.
- Stage 3: Loans considered credit-impaired as outlined in Note 49.2.2.1. The Bank records an allowance for the LTECLs. Further, the Bank includes credit facilities restructured more than 2 times and rescheduled credit facilities under Stage 3.
- POCI: POCI assets are financial assets that are credit-impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectation of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered as a derecognition or a partial derecognition of the financial asset.

2.8.6.2 The Calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default (PD): The PD 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. The concept of PDs is further explained in Note 49.2.2.2.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments. The EAD is further explained in Note 49.2.2.3.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 49.2.2.4.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs as set out in Note 49.2.2 and Note 49.2.3. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans

are expected to be recovered including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The calculation of ECLs for individually significant loans and grouping of financial assets measured on a collective basis are described in Note 49.2.2.6 and 49.2.2.7 respectively.

Except for credit cards and other revolving facilities for which the treatment is separately set out in Note 2.8.6.4, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 2.8.3.8. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in Note 2.8.6.4.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios as explained above.
- Stage 2: When a loan has shown a SICR since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above including the use of multiple scenarios but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired as defined in Note 49.2.2.1, the Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit-impaired on initial recognition. The Bank only recognises the cumulative changes in LTECLs since initial recognition based on a probability weighting of the three scenarios discounted by the credit-adjusted EIR.
- Loan Commitments and Letters of Credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down based on a probability weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

  For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For letters of credit, ECLs are recognised within 'Other Liabilities'.
- Financial Guarantee Contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within 'Other Liabilities'.

2.8.6.2.1 Adjustments to ECL Model as a Result of Recent Cyclonic and Flood Disasters

In assessing ECLs, the management has incorporated the risks of climate-related changes following the impact of cyclone 'Ditwah' and related floods and landslides and the government and other support measures, on a reasonable basis. Given the uncertainty surrounding the borrower cash flows in affected regions and sectors, the management has increased the impairment provisions recognised as overlays and post-model adjustments on collective basis as the standard impairment model outputs were not fully capturing the credit risk conditions existing at the reporting date. The details of management overlays and post-model adjustments are given in Note 49.2.8 and the additional steps followed by the management for the identification of adequate provisions for ECL to incorporate the risks of climate-related changes following the impact of recent cyclonic and flood disasters are elaborated in Note 2.5.1.2 to the Financial Statements.

2.8.6.3 Debt Instruments Measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce

the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount with a corresponding charge to Profit or Loss.

The accumulated loss recognised in OCI is recycled to the Profit or Loss upon derecognition of the assets.

2.8.6.4 Credit Cards and Other Revolving Facilities

The Bank's product offerings include a variety of corporate and retail overdrafts and credit card facilities on which the Bank has the right to cancel or reduce the facilities with very short notice. The Bank does not limit its exposure to credit losses to the contractual notice period but instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures which could include reducing or cancelling the facilities. Based on the past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year. For credit cards and revolving facilities that include both loan and undrawn commitment, ECLs are calculated and presented together with the loan.

The on-going assessment of whether a SICR has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's days-past-due and internal credit grade as explained in Note 49.2.2, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average EIR that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs including the estimation of the expected period of exposure and discount rate is made as explained in Note 49.2.2, on an individual basis and on a collective basis. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

2.8.6.5 Forward Looking Information

The Bank incorporates forward looking information into both its assessments as to whether the credit risk of an instrument has been increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Bank considers three economic scenarios namely base case, best case and worse case.

Base Case (Most Likely) Scenario

The base case scenario is the Bank's view of the most likely future macro-economic conditions. It reflects the management's assumptions used for strategic planning and budgeting process.

Upside (Best Case) Scenario

The upside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more optimistic economic events over long-term horizons

Downside (Worst Case) Scenario

The downside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more pessimistic economic events and uncertainty over long term horizons.

Quantitative economic factors are based on economic data and forecasts published by the Central Bank of Sri Lanka and international organisations such as International Monetary Fund (IMF). In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs such as:

Quantitative Factors

- GDP Growth
- Unemployment Rates
- Exchange Rates
- Inflation Price Indices
- Interest Rates

Qualitative Factors

- Government Policies and Regulatory Impact
- Status of Industry and Business
- Sustainability/Climatic Risk Impact

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 49.2.3.

2.8.6.6 Expert Credit Judgement

The management's expert credit judgment is used to determine the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation.

There remains elevated uncertainties and management continues to exercise expert credit judgment in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date. To the extent that certain effects are not fully incorporated into the model calculations, temporary quantitative and qualitative adjustments have been applied.

2.8.7 Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, properties, letters of credit, guarantees, receivables, inventories and other movable and immovable assets. The fair value of collateral is generally assessed, at a minimum, at inception and thereafter value changes are monitored in accordance with the policies and procedures of the Bank. However, some collateral, for example, cash or securities relating to margin requirements are valued on daily basis. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral such as freehold property is valued based on valuation reports and other independent sources.

Analysis of maximum exposure to credit risk and collateral and other credit enhancements is disclosed on Note 49.2.5.

2.8.8 Collateral Repossessed

The Bank's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without derecognising the underlying receivable.

Analysis of maximum exposure to credit risk and collateral and other credit enhancements is disclosed on Note 49.2.5.

2.8.9 Write-offs

Financial assets are written-off either partially or in their entirety only when the Bank has stopped pursuing the recovery. The Bank takes reasonable steps in pursuing recovery of contractual amounts outstanding prior to writing them off from books. The amounts written-off during the year as disclosed in Note 26.6 are contractual amounts which the Bank has either become unsuccessful on the enforcement action or has concluded that the chances of recovering the same as remote. If the amount to be written-off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are shown under 'Impairment Charges' as a reversal.

2.8.10 Forborne and Modified Loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties or deterioration of credit quality, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan as forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants or significant concerns raised by the Risk Management Unit.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a SICR. Accordingly, all rescheduled loans are classified as Stage 3 unless upgraded due to satisfactory performing period as specified in the Direction No. 13 of 2021 on 'Classification, Recognition and Measurement of Credit Facilities in Licensed Banks' issued by the Central Bank of Sri Lanka. Further, loans which have been restructured are classified under Stage 2 or Stage 3 based on the number of times restructured unless upgraded due to satisfactory performing period as specified in the said guideline.

Details of restructured and rescheduled loans are disclosed in Note 49.2.7. If modifications are substantial, the loan is derecognised, as explained in Note 49.2.7.

2.8.11 Off-Setting Financial Instruments

Financial assets and financial liabilities are off-set and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.8.12 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The specific recognition criteria as explained in Notes 6, 7, 8, 9,10 and 11 must also be met before revenue is recognised.

Expenses are recognised in 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 running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to Profit or Loss. For the purpose of presentation of the Statement of Profit or Loss, the 'Function of Expenses Method' has been adopted, on the basis that it presents fairly the elements of the Bank's performance.

2.8.12.1 The Effective Interest Rate (EIR) Method

Interest income is recorded using the EIR method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial asset. Hence, it recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle.

If expectations regarding the cash flows on the financial asset are revised for reasons other than the change in the level of credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in Interest Income.

The adjustment is subsequently amortised through interest and similar income in the Statement of Profit or Loss.

2.8.12.2 Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided and are included under 'Personnel Expenses' in the Statement of Profit or Loss. A liability is recognised for the amounts expected to be paid under short term bonus, if the Bank has a present legal or constructive obligation to pay this amount as a result of past services rendered by the employees and the obligation can be measured reliably.

2.8.13 Impairment of Non- Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, that 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

An assessment is made for assets at each reporting date 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 Bank estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount 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.

2.8.14 Taxes

2.8.14.1 Current Tax and Deferred Tax

Accounting policies relating to current tax and deferred tax are disclosed under Note 18.

2.8.14.2 Value Added Taxes (VAT) on Financial Services

The value added tax on financial services is calculated at 18% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

2.8.14.3 Social Security Contribution Levy

The social security contribution levy is calculated at the rate of 2.5% in accordance with the provisions of the Social Security Contribution Levy Act No. 25 of 2022 and amendments thereto.

Pursuant to the Social Security Contribution Levy (Amendment) Act, No. 24 of 2025, with effect from 17th December 2025, an exemption from SSCL was granted to persons or institutions providing financial services that are subject to Value Added Tax (VAT) at 20.5%. As the corresponding amendment to the VAT Act to increase the VAT rate on financial services to 20.5% has not yet been enacted, the Bank's financial services continue to be subject to VAT at 18%, and accordingly, the Bank remained liable to SSCL at the rate of 2.5% during the reporting period.

2.8.14.4 Crop Insurance Levy

The crop insurance levy is calculated at the rate of 1% of the Profit after Tax in accordance with the Finance Act No. 12 of 2013. Crop Insurance levy expense of the Bank is given in Note 16 to the Financial Statements.

2.8.15 Statutory Reserve Fund

The statutory reserve fund represents the statutory requirement in terms of Section 20 (1) and (2) of the Banking Act No. 30 of 1988.

2.8.16 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year approved after the reporting date are disclosed as an event after the reporting date.

2.8.17 Materiality and 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 LKAS 1 – Presentation of Financial Statements. Financial assets and financial liabilities are off-set and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not off-set in Profit or Loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.8.18 Related Party Transactions

Disclosures have been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged. The related party transactions and balances are disclosed in Note 55.

2.8.19 Events After the Reporting Date

All the material events occurred after the end of the reporting period to the date the Financial Statements are authorised for issue, have been considered and appropriate adjustments/disclosures have been made in the Financial Statements as described in Note 56 to the Financial Statements.

2.8.20 Comparative Information

The comparative information has been reclassified wherever necessary to conform with the current year's classification in order to provide a better presentation.

2.9 Regulatory Provisions

2.9.1 Deposits Insurance Scheme

In terms of the Banking (Special Provisions) Act No. 01 of 2023, all licensed commercial banks are required to insure their deposit liabilities in the Sri Lanka Deposit Insurance Scheme. The Bank is required to pay a premium of 0.10% per annum on eligible deposits during the year ended 31st December 2025 since the Bank's total capital ratio exceeded 14%. Deposit insurance premium expense of the Bank is given in Note 16 to the Financial Statements.

3. NEW ACCOUNTING STANDARDS/AMENDMENTS TO EXISTING ACCOUNTING STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR

The new accounting standards/ amendments to existing accounting standards that became effective during the year ended 31st December 2025 which had an impact on the bank, are disclosed below.

- SLFRS S1 and S2

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued SLFRS S1 and SLFRS S2 to enhance sustainability related disclosure requirements. In accordance with these standards, all listed companies ranked within the top 100 by market capitalisation are required to adopt the standards with effect from 01st January 2025.

In line with the transitional relief that allows the Bank to report only on climate-related risks and opportunities in its first year of disclosure, the Bank has presented its Climate-Related Financial Disclosure on pages 89 to 106 of the Annual Report.

4. NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

The new and amended standards and interpretations that are issued up to the date of issuance of the Bank's financial statements but are not effective for the current annual reporting period, are disclosed below. The Bank has not early adopted any of the new or amended standards in the preparation

of these financial statements. Hence, the Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- 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 01st 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.

The amendments are not expected to have a material impact on the Bank's financial statement.

- SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 01st January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

- SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles. The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users. SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027 with early application permitted. The entity is not eligible to apply SLFRS 19.

- Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. The objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability linked terms and nature dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 01st January 2026. Early application is permitted.

The potential impact of this amendment on the financial statements and the related notes is currently being identified and evaluated.

Except for above there are no any new accounting standards and amendments/improvements to existing standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but are not yet effective as at 31st December 2025.

5 GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 6 - Net Interest Income, Note 7 - Net Fee and Commission Income, Note 8 - Net Gains from Trading, Note 9 - Net Fair Value Losses from Financial Assets at FVPL, Note 10 - Net Gains from Derecognition of Financial Assets at FVOCI, Note 11 - Net Other Operating Gains/(Losses) and Note 12 - Net Losses on Derecognition of SLISBs.

For the year ended 31st December	Notes	2025 Rs 000	2024 Rs 000
Interest Income	6	30,703,436	30,781,725
Fee and Commission Income	7	2,608,013	1,906,725
Net Gains from Trading	8	508,386	753,368
Net Fair Value Losses from Financial Assets at FVPL	9	(51,774)	(70,282)
Net Gains from Derecognition of Financial Assets at FVOCI	10	278,634	23,609
Net Other Operating Gains/(Losses)	11	(1,341)	(863,181)
Gross Income before Net Losses on Derecognition of SLISBs		34,045,354	32,531,964
Net Losses on Derecognition of SLISBs	12	-	(3,700,366)
Gross Income after Net Losses on Derecognition of SLISBs		34,045,354	28,831,598

6 NET INTEREST INCOME

Accounting Policy

Interest Income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'Stage 3' asset, the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 49.2.2.1) and is no longer credit impaired, the Bank reverts to calculating interest income on a gross basis.

The Bank ceases the recognition of interest income on assets when it is probable that the economic benefits associated will not continue to flow to the Bank.

For Purchased or Originated Credit Impaired (POCI) financial assets (as set out in Note 2.8.6.1), the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in 'Interest Income'.

Interest Expense

The Bank calculates the interest expense by applying the EIR to the carrying amount of financial liabilities.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Interest Income		
Cash and Cash Equivalents	57,661	51,691
Balances with Central Bank of Sri Lanka	12,809	4,120
Placements with Banks	479	808
Reverse Repurchase Agreements	144,786	67,416
Financial Assets at Amortised Cost		
-Loans and Advances	22,199,970	20,412,421
-Debt and Other Instruments	6,185,294	9,253,903
Financial Assets at FVPL	659,289	585,763
Financial Assets at FVOCI	1,443,148	405,603
	30,703,436	30,781,725
Less: Interest Expenses		
Due to Banks	608,375	318,071
Repurchase Agreements	1,736,065	1,242,231
Financial Liabilities at Amortised Cost		
-Due to Depositors	15,367,644	16,108,664
-Due to Debt Securities Holders	24,742	724,388
Lease Liabilities (Note 30.2)	156,777	137,514
Subordinated Debentures (Note 40)	61,961	115,115
	17,955,564	18,645,983
Net Interest Income	12,747,872	12,135,742

6.1 Net Interest Income from Sri Lanka Government Securities and Related Financial Instruments

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Interest Income	8,432,517	10,312,685
Less: Interest Expense	1,736,065	1,242,231
Net Interest Income from Sri Lanka Government Securities	6,696,452	9,070,454

Interest income from Sri Lanka government securities and related financial instruments includes interest income from LKR Treasury Bills, LKR Treasury Bonds, Local LKR Bonds, Sri Lanka International Sovereign Bonds, USD Step-Up Bonds, USD PDI Bonds, Reverse Repurchase Agreements and other related debt instruments.

Interest expense from Sri Lanka government securities and related financial instruments includes interest expense for Repurchase Agreements and other related instruments.

6.2 Net Interest Income from Financial Instruments Not Measured at Fair Value through Profit or Loss

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Interest Income	30,044,147	30,195,962
Less: Interest Expense	17,955,564	18,645,983
Net Interest Income	12,088,583	11,549,979

6.3 Interest Accrued on Impaired Loans and Advances Carried at Amortised Cost

The Bank's interest income for the year 2025 includes interest accrued on impaired loans and advances carried at amortised cost of Rs. 3,582 (000') (2024 - Rs. 74,294 (000')).

7 NET FEE AND COMMISSION INCOME

Accounting Policy

Fee and Commission Income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income comprises mainly of fees received from customers for guarantees and other services provided by the Bank together with foreign and domestic tariffs. Such income is recognised as revenue as the services are provided. Fee income can be divided into the following two categories:

a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on straight line basis.

b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fee and Commission Expense

Fee and commission expense relates mainly to transactions and service fees which are expensed as the services are received. Fee and commission expense has been recognised in the Financial Statements as they are incurred in the period to which they relate.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Net Fee and Commission Income		
Fee and Commission Income	2,608,013	1,906,725
Less : Fee and Commission Expense	92,168	69,579
	2,515,845	1,837,146
Comprising		
Loans and Advances related Services	909,120	684,140
Cards related Services	432,947	377,997
Trade and Remittance related Services	629,904	254,890
Deposits related Services	426,479	387,911
Guarantee related Services	117,395	132,208
	2,515,845	1,837,146

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

8 NET GAINS FROM TRADING

Accounting Policy

All realised capital gains/(losses) from derecognition of financial assets at FVPL and foreign exchange differences arising from derivative contracts which are not designated as hedging instruments are given below.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Realised Gains From;		
Sri Lanka Government Debt Securities - Treasury Bill & Bonds	60,734	143,917
Investment in Unit Trusts	337,404	472,000
Foreign Exchange - Net Forward Forex Gains	110,248	137,451
	508,386	753,368

8.1 The Bank has not entered into inter-bank foreign currency transactions of material nature for trading purposes in the normal course of business. Therefore, no material gains/(losses) generated from such transactions during the year (2024 - Nil). However, the Bank carries out forward transaction deals pertaining to customer requirements in the normal course of business.

9 NET FAIR VALUE LOSSES FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Accounting Policy

Accounting policies relating to net fair value gains/(losses) from financial assets at FVPL are disclosed under Note 2.8.3.3. All unrealised fair value changes derived from the financial assets classified as FVPL are given below.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Sri Lanka Government Debt Securities - Treasury Bills & Bonds		
Unrealised Gains	(51,774)	(70,282)
	(51,774)	(70,282)

10 NET GAINS FROM DERECOGNITION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Accounting Policy

Accounting policies relating to net gains from derecognition of financial assets at FVOCI are disclosed under Note 2.8.3.4. All realised capital gains from derecognition of financial assets classified as FVOCI are given below.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Sri Lanka Government Debt Securities - Treasury Bills and Bonds		
Realised Gains	278,634	23,609
	278,634	23,609

11 NET OTHER OPERATING GAINS/(LOSSES)

Accounting Policy

Net other operating losses include foreign exchange gains/(losses), dividend income from equity securities designated through OCI, gains/(losses) from disposal of property, plant & equipment and other income. Dividend income is recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend. Other income is recognised on an accrual basis.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Net Losses on Revaluation of Foreign Exchange	(9,271)	(875,186)
Dividend Income from Equity Instruments at FVOCI (Note 51.5)	2,366	2,386
Losses on Disposal of Property, Plant & Equipment (Note 51.4)	(7,174)	(1,306)
Other Income	12,738	10,925
	(1,341)	(863,181)

12 NET LOSSES ON DERECOGNITION OF SRI LANKA INTERNATIONAL SOVEREIGN BONDS (SLISBs)

Accounting Policy

During the last financial year, the Government of Sri Lanka (GOSL) announced Sri Lanka External Debt Exchange Program (SLEDEP) through which registered bondholders exchanged their eligible SLISBs for new bonds with different principal amounts and applicable capitalised accrued and unpaid interest as per the exchange considerations published in the said Invitation Memorandum. Consequently, the Bank derecognised the SLISBs and recognised two new series of Euro Bonds consisting of USD Step-Up Bonds and USD PDI Bonds and series of Local LKR Bonds on 20th December 2024.

The net derecognition loss is calculated as the difference between the carrying value of the old investments and the fair value of the new investments recognised as the present value of future cash flows discounted by using appropriate discount rates and exchange fee received. The impairment provision held on old SLISBs was reversed at the time of derecognition and the impact of such reversal is disclosed under Note 13.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Fair Value of New Bonds at Initial Recognition	-	8,247,831
Carrying Value of SLISBs at the Date of Bond Exchange	-	12,129,029
	-	3,881,198
Less: Exchange Fee Received	-	180,832
	-	3,700,366

13 IMPAIRMENT CHARGES/(REVERSALS)

Accounting Policy

The Bank recognises impairment provisions for financial assets in accordance with Sri Lanka Accounting Standard SLFRS 9 - 'Financial Instruments'. The accounting policy and methodology adopted in determining the same is given in Note 2.8.6 to the Financial Statements. These financial assets include Cash and Cash Equivalents, Placements with Banks, Reverse Repurchase Agreements, Loans and Advances - at Amortised Cost, Debt and Other Instruments - at Amortised Cost, Debt Securities at FVOCI, Other Financial Assets, Financial Guarantee Contracts and Documentary Credit. Further, the Bank recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset. No impairment loss is recognised on Equity Investments.

The Bank sets-off the recoveries of loans previously written-off against the impairment charges for the year (Note 2.8.9).

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Cash and Cash Equivalents (Note 20.1)	932	(1,734)
Placements with Banks (Note 22.1)	514	-
Loans and Advances - at Amortised Cost (Note 26.6)	567,123	1,394,624
Debt and Other Instruments - at Amortised Cost (Note 27.4)	(12,136)	(6,314,561)
Financial Guarantees (Note 38.3)	(5,935)	1,529
Documentary Credit (Note 38.3)	32,794	14,142
Other Financial Assets	23	-
	583,315	(4,906,000)
Less: Recoveries of Loans Written-Off	62,508	155,213
	520,807	(5,061,213)

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

13.1 Impairment Charges - Stage-wise Analysis

For the year ended 31st December	2025				2024			
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Cash and Cash Equivalents	932	-	-	932	(1,734)	-	-	(1,734)
Placements with Banks	514	-	-	514	-	-	-	-
Loans and Advances - at Amortised Cost (Note 26.6)	544,602	82,239	(59,718)	567,123	162,839	(1,106,922)	2,338,707	1,394,624
Debt and Other Instruments - at Amortised Cost	-	(12,136)	-	(12,136)	-	(6,314,561)	-	(6,314,561)
Financial Guarantees	(5,935)	-	-	(5,935)	1,529	-	-	1,529
Documentary Credit	32,794	-	-	32,794	14,142	-	-	14,142
Other Assets	23	-	-	23	-	-	-	-
	572,930	70,103	(59,718)	583,315	176,776	(7,421,484)	2,338,707	(4,906,000)
Less: Recoveries of Loans Written-Off	-	-	62,508	62,508	-	-	155,213	155,213
Total	572,930	70,103	(122,226)	520,807	176,776	(7,421,484)	2,183,494	(5,061,213)

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

14 PERSONNEL EXPENSES

Accounting Policy

Accounting policies relating to short-term employee benefits, defined contribution plan expenses and defined benefit plan expenses are disclosed under Note 2.8.12.2 and Note 39 respectively.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Salaries, Bonuses and Other Related Expenses (Note 14.1)	3,084,597	3,032,209
Defined Contribution Plan Expenses - Employees' Provident Fund	255,710	221,892
- Employees' Trust Fund	61,406	53,133
Defined Benefit Plan Expenses (Note 39.1)	145,622	132,010
Amortisation of Pre-paid Staff Cost (Note 32.1)	40,760	36,237
Other Expenses	44,927	32,290
	3,633,022	3,507,771

14.1 There were no non-statutory special payments to Directors, CEO or Officers Performing Executive functions (as defined in Banking Act Determination No. 01 of 2019) at the termination of employment or at the time of retirement. (2024 - Nil).

15 DEPRECIATION AND AMORTISATION EXPENSES

Accounting Policy

Accounting policies relating to depreciation of property, plant and equipment, amortisation of right-of-use assets and amortisation of intangible assets are disclosed under Note 29, Note 30 and Note 31 respectively.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Depreciation of Property, Plant and Equipment (Note 29.2)	195,033	168,035
Amortisation of Right-of-Use Assets (Note 30.1)	336,128	310,512
Amortisation of Intangible Assets (Note 31.2)	100,078	61,662
	631,239	540,209

16 OTHER OPERATING EXPENSES

Accounting Policy

Accounting policies relating to other operating expenses are disclosed under Note 2.8.12.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Directors' Emoluments (Note 16.1 & 16.2)	122,572	106,260
Auditors' Remuneration (Note 16.3)	8,097	6,950
Professional and Legal Expenses	53,121	48,442
Administration and Establishment Expenses (Note 16.4)	1,428,375	1,288,172
Business Development Expenses	365,974	360,172
Deposit Insurance Expenses	203,339	185,151
Crop Insurance Levy	40,000	41,000
Card Related Expenses	396,920	290,368
Other Expenses (Note 16.5)	946,870	904,513
	3,565,268	3,231,028

16.1 Directors' emoluments include salaries, bonuses and other related expenses of the Director/Chief Executive Officer (CEO) and fees paid to Non-Executive Directors.

16.2 There were no non-statutory special payments to Directors/CEO at the termination of employment or at the retirement (2024 - Nil).

16.3 Auditors' Remuneration

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Audit Fees	6,950	6,315
Audit Related Fees	520	635
Non-Audit Expenses	627	-
	8,097	6,950

16.4 Administration and establishment expenses include expenses incurred on maintenance of assets, electricity, janitorial, fuel etc.

16.5 Other overhead expenses include expenses incurred on insurance, printing & stationery, telephone & data communication, travelling & transport etc.

17 TAXES AND LEVIES ON FINANCIAL SERVICES

Accounting Policy

Taxes and levies on financial services include Value Added Tax on Financial Services (VAT on FS) and Social Security Contribution Levy on Financial Services (SSCL on FS). The VAT on FS is calculated in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto. The SSCL on FS is calculated in accordance with the provisions of the Social Security Contribution Levy Act No. 25 of 2022 and amendments thereto. (Note 2.8.14.2 and 2.8.14.3).

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Value Added Tax on Financial Services	1,604,195	1,642,594
Social Security Contribution Levy on Financial Services	222,804	228,138
	1,826,999	1,870,732

18 INCOME TAX EXPENSE

Accounting Policy

Current Tax

The provision for income tax is based on the elements of the income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

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

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in Other Comprehensive Income (OCI) shall be recognised in OCI and not in Profit or Loss. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

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, unless it arises from the initial recognition of an asset or liability in a transaction that;

a) is not a business combination

b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and

c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The Bank has computed deferred tax at the rates based on substantively enacted at the reporting date, which is the statutory rate specified in the Inland Revenue Act as of the reporting date.

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 future taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised, unless it arises from the initial recognition of an asset or liability in a transaction that;

a) is not a business combination

b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and

c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are off-set, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense amounts that were initially recorded and deferred tax amounts in the period in which the determination is made. The Bank has evaluated these uncertainties in terms of IFRIC 23 - 'Uncertainty Over Income Tax Treatment'.

The major components of income tax expense are as follows.

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Current Tax Expense		
Current Tax Charge on Profit for the Year (Note 18.1)	2,376,535	372,127
Over Provisions in Respect of Previous Years (Note 18.1)	(355,967)	(513,524)
Total Current Tax Expense/(Reversal)	2,020,568	(141,398)
Deferred Tax Expense		
Relating to Origination and Reversal of Temporary Differences (Note 18.1)	(205,859)	2,034,191
Total Deferred Tax Expense/(Reversal) (Note 18.2)	(205,859)	2,034,191
Total Income Tax Expense	1,814,709	1,892,793

18.1 Reconciliation of the Total Tax Expense

A reconciliation between the tax expense and the accounting profit multiplied by the statutory income tax rate is as follows:

For the year ended 31st December	2025 Rs 000	2024 Rs 000
Accounting Profit Before Tax	5,820,287	6,027,509
Foreign Service Income Tax Rate at 15%	20,084	-
Standard Statutory Income Tax Rate at 30%	1,705,917	1,808,253
Non-Deductible Expenses and Amounts	820,540	613,591
Deductible Expenses and Amounts	(115,135)	(2,004,431)
Income Not Subject to Tax	(54,871)	(45,285)
Current Tax on Profits at 15%	20,084	-
Current Tax on Profits at 30%	2,356,451	372,127
Income Tax on Current Year Profit	2,376,535	372,127
Over Provisions in Respect of Previous Years	(355,967)	(513,524)
Total Current Tax Expense	2,020,568	(141,398)
Recognition of Deferred Tax on Temporary Differences	(205,859)	2,034,191
Total Deferred Tax Expense/(Reversal) (Note 18.2)	(205,859)	2,034,191
Total Income Tax Expense	1,814,709	1,892,793
Effective Tax Rate	31.18%	31.40%
Effective Tax Rate (Excluding Deferred Tax)	34.72%	-2.35%

Impact of Change in Income Tax Rates on Current Tax

Current tax has been computed in accordance with the provisions of Inland Revenue Act No 24 of 2017 and pursuant to the Inland Revenue (Amendment) Act, No. 02 of 2025, an income tax rate of 15% has been introduced on the foreign service income and foreign source income, which was previously exempt from income tax w.e.f. 1st April 2025. As a result of this amendment, income tax for the year has been calculated by applying tax rates of 30% and 15%, as applicable.

18.2 Deferred Tax

The following table shows deferred tax assets and liabilities recorded in the Statement of Financial Position and changes recorded in the Statement of Profit or Loss and the Statement of Comprehensive Income.

	2025			2024		
	Deferred Tax Liabilities/ (Assets) in the Statement of Financial Position	Profit or Loss	Other Comprehensive Income	Deferred Tax Liabilities/ (Assets) in the Statement of Financial Position	Profit or Loss	Other Comprehensive Income
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Lease Rentals Receivable	-	-	-	-	(111,284)	-
Property, Plant and Equipment	691,302	14,930	33,626	642,746	(2,328)	27,937
Intangible Assets	27,859	(11,427)	-	39,286	(4,378)	-
Defined Benefit Plan Obligation	(228,848)	(24,515)	509	(204,842)	(21,232)	(31,826)
Impairment on Financial Assets	(760,164)	(184,847)	-	(575,317)	2,173,412	-
Financial Assets at FVOCI	57,795	-	(12,975)	70,770	-	70,770
Total	(212,056)	(205,859)	21,160	(27,357)	2,034,191	66,880

19 EARNINGS PER SHARE AND DIVIDEND PER SHARE

19.1 Earnings Per Share

Accounting Policy

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted Earnings Per Share is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As there were no potential ordinary shares outstanding at the year end, diluted earnings per share is equal to the basic earnings per share for the year.

The income and share data used in the basic/diluted earnings per share calculations are detailed below;

For the year ended 31st December	2025	2024
Profit Attributable to Ordinary Shareholders (Rs 000')	4,005,578	4,134,716
Weighted Average Number of Ordinary Shares in Issue (Note 41)	442,561,629	442,561,629
Basic/Diluted Earnings Per Share (Rs.)	9.05	9.34

There were no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of these Financial Statements were authorised for issue, which would require the restatement of earnings per share.

19.2 Dividend Per Share

Accounting Policy

Provision for final dividend on ordinary shares is recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting date (Note 56).

19.2.1 First and Final Cash Dividend Paid

	2025	2024
Dividend on Ordinary Voting Shares Paid for the Year (Rs 000') (Note 44)	442,562	110,640
Dividend per Ordinary Voting Share (Rs.)	1.00	0.25

19.2.2 First and Final Cash Dividend Declared

	2025	2024
Dividend on Ordinary Voting Shares Declared for the Years 2025 (Notes 19.2.3 & 19.2.4) & 2024 Respectively (Rs 000')	442,562	442,562
Dividend per Ordinary Voting Share (Rs.)	1.00	1.00

19.2.3 The Board of Directors has recommended and declared a first and final cash dividend of Rs.1/- per share for the financial year ended 31st December 2025 subject to the approval of the shareholders at the Annual General Meeting to be held on 31st March 2026.

19.2.4 In accordance with LKAS 10 - Events after the Reporting Period, above proposed first and final cash dividend has not been recognised as a liability as at 31st December 2025 and disclosed under Note 56 to the Financial Statements - 'Events after the Reporting Date'.

19.2.5 As per the Inland Revenue Amendment Act No. 45 of 2022, the proposed first and final cash dividend for the year ended 31st December 2025 is subject to a Withholding Tax/Advance Income Tax of 15%. Accordingly, total withholding tax liability on dividends proposed for the year ended 31st December 2025 amounted to Rs. 66.38 Mn.

20 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand and balances with local and foreign banks that are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position and used by the Bank in the management of its short-term commitments. All Cash and Cash Equivalent balances held by the Bank are available for use by the Bank.

Cash and cash equivalents as referred to in the Statement of Cash Flows comprise of cash in hand, balances with local and foreign banks on demand or with an original maturity of three months or less and placements with banks (Note 22) with an original maturity of three months or less from the date of placement. Cash and Cash Equivalent for Cash Flow purpose is disclosed in Note 51.1.

As at 31st December	2025 Rs 000	2024 Rs 000
Cash in Hand (Note 51.1)	3,464,686	3,109,946
Balances with Local and Foreign Banks (Note 20.1)	1,810,339	304,256
	5,275,025	3,414,202
Less: Allowance for Expected Credit Losses (Note 20.1)	(1,433)	(501)
	5,273,592	3,413,701

20.1 Allowance for Expected Credit Losses

Balances with Local and Foreign Banks

The table below shows the credit quality and the maximum exposure to credit risk based on the year end stage classification. The amounts presented are gross of impairment allowances. Accounting policies on stage classification of balances with local and foreign banks and details of ECL calculation methodologies at each stage are set out in Note 2.8.6.

As at 31st December	2025 Rs 000	2024 Rs 000
Balances with Local and Foreign Banks	1,810,339	304,256
	1,810,339	304,256

All balances held with local and foreign banks at both the year ends are 'Stage 1' assets.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to balances with local and foreign banks is as follows:

Gross Carrying Amount

	2025			2024		
	Balance as at 01/01/2025 Rs 000	Net Increase During the Year Rs 000	Balance as at 31/12/2025 Rs 000	Balance as at 01/01/2024 Rs 000	Net Decrease During the Year Rs 000	Balance as at 31/12/2024 Rs 000
Balances with Local and Foreign Banks	304,256	1,506,083	1,810,339	3,690,274	(3,386,018)	304,256
	304,256	1,506,083	1,810,339	3,690,274	(3,386,018)	304,256

ECL Allowances

	2025			2024		
	Balance as at 01/01/2025 Rs 000	Net Increase During the Year Rs 000	Balance as at 31/12/2025 Rs 000	Balance as at 01/01/2024 Rs 000	Net Decrease During the Year Rs 000	Balance as at 31/12/2024 Rs 000
Balances with Local and Foreign Banks	501	932	1,433	2,235	(1,734)	501
	501	932	1,433	2,235	(1,734)	501

The increase/(decrease) in ECL's of the portfolio was driven by increase/ (decrease) in the Gross size of the portfolios/ exposures, changes in historical loss experience, changes in macro-economic conditions and exchange rate variances in foreign currency provisions.

The maturity analysis of cash and cash equivalents is given in Note 52.

21 BALANCES WITH CENTRAL BANK OF SRI LANKA

Balances with Central Bank of Sri Lanka comprise of both statutory deposit balance and Standing Deposit Facilities (SDF). Statutory deposit with Central Bank of Sri Lanka represents the cash balances that is required to be maintained as per the provisions of the Section 93 of the Monetary Law Act. The minimum cash reserve requirement of Rupee deposit liabilities as at 31st December 2025 was 2% (2024 - 2%). There is no reserve requirement for foreign currency deposit liabilities of the Bank. The statutory deposit with CBSL is not available for use in the Bank's day-to-day operations.

As at 31st December	2025 Rs 000	2024 Rs 000
Statutory Deposit with Central Bank of Sri Lanka	2,095,901	998,254
Non-Statutory Balance with Central Bank of Sri Lanka (Standing Deposit Facilities)	9,751,942	4,500,927
	11,847,843	5,499,181

The maturity analysis of balances with Central Bank of Sri Lanka is given in Note 52.

22 PLACEMENTS WITH BANKS

As at 31st December	2025 Rs 000	2024 Rs 000
Placements - in Sri Lanka (Note 22.1)	1,050,231	-
Less: Allowance for Expected Credit Losses (Note 22.1)	(514)	-
Net Placements with Banks	1,049,717	-

22.1 Allowance for Expected Credit Losses

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Placements in Banks is as follows:

Gross Carrying Amount

	2025		
	Balance as at 01/01/2025 Rs 000	Net Increase During the Year Rs 000	Balance as at 31/12/2025 Rs 000
Placements - in Sri Lanka	-	1,050,231	1,050,231
	-	1,050,231	1,050,231

ECL Allowances

	2025		
	Balance as at 01/01/2025 Rs 000	Net Increase During the Year Rs 000	Balance as at 31/12/2025 Rs 000
Placements - in Sri Lanka	-	514	514
	-	514	514

All balances held under placements with banks are 'Stage 1' assets.

The increase in ECL's of the portfolio was driven by increase in the Gross size of the portfolios/exposures, changes in historical loss experience and changes in macro-economic conditions.

The maturity analysis of placements with banks is given in Note 52.

23 REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND TREASURY BILLS

Accounting Policy

Securities purchased under agreement to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, as an asset within 'Reverse Repurchase Agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale price is treated as interest income and is accrued over the life of the agreement using the EIR.

Conversely, securities sold under agreement to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Bank retains substantially all of the risks and rewards of ownership. The consideration received, including accrued interest, is recognised in the Statement of Financial Position as a liability within 'Repurchase Agreements', reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the EIR.

23.1 Reverse Repurchase Agreements

As at 31st December	2025 Rs 000	2024 Rs 000
Due from;		
Banks	2,531,544	-
Other Financial Institutions	-	1,001,140
	2,531,544	1,001,140

The Bank holds collateral against reverse repurchase agreements and is permitted to sell or repledge the collateral in case of a default by the owner of the collateral. The fair value of collateral held under reverse repurchase agreements by the Bank as at 31st December 2025 is Rs. 2,842,812 (000') (2024 - Rs. 1,124,335 (000')).

23.2 Repurchase Agreements

As at 31st December	2025 Rs 000	2024 Rs 000
Due to;		
Banks	2,006,162	20,953,426
Other Financial Institutions	17,694,747	2,253,070
Other Counterparties	540,619	2,139,497
	20,241,528	25,345,992

The Bank pledges collateral against repurchase agreements and the respective counterparties are permitted to sell or re-pledge the collateral in case of a default by the Bank. The carrying value of collateral pledged under repurchase agreements by the Bank as at 31st December 2025 is Rs. 22,155,664 (000') (2024 - Rs. 29,140,496 (000')) and fair value of collateral pledged as at 31st December 2025 is Rs. 23,159,327 (000') (2024 - Rs. 28,142,504 (000')).

23.3 The Bank's Policy on Haircuts for Repurchase and Reverse Repurchase Transactions

According to the Bank's internal policies, minimum haircuts applicable for each maturity bucket as at 31st December 2025 are given below. The haircuts applied meet the minimum haircut requirements imposed by the Direction No. 01 of 2019 on Registered Stock and Securities Ordinance and Local Treasury Bill Ordinance.

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)	
	Repurchase Transactions	Reverse Repurchase Transactions
Up to 2 years	10	10
Over 2 to 5 years	10	12
Over 5 to 10 years	12	15
Over 10 years	12	20

23.4 Penalties Imposed on the Bank for Non-Compliance

No penalties have been imposed on the Bank for non-compliance with the Direction No. 01 of 2019 on Registered Stock and Securities Ordinance and Local Treasury Bill Ordinance, during the year (2024 - Nil).

24 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

The accounting policy pertaining to derivative financial instruments is given in Note 2.8.3.2.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

As at 31st December	2025			2024		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Foreign Currency Derivatives						
Currency Swaps (Note 53.1)	150,217	18,442	62,825,824	76,070	57,209	34,454,665
Forward Foreign Exchange Contracts (Note 53.1)	7,756	7,450	6,661,814	3,788	1,039	1,756,249
Spot Contracts (Note 53.1)	580	793	1,937,768	11	-	51,931
	158,553	26,685	71,425,406	79,869	58,248	36,262,845

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the Profit or Loss of the Bank. The Bank's exposure under derivative contracts are closely monitored as part of the overall management of the Bank's market risk.

Forward Foreign Exchange Contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over the counter market and are subject to credit risk and liquidity risk and result in market exposure. The Bank has credit exposure to the counterparties of forward contracts which are settled on gross basis. Therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis.

Currency Swaps

Currency swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying foreign currency rate. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Disclosures concerning the fair value of derivatives are provided in Note 48.

The maturity analysis of derivative financial assets and liabilities is given in Note 52.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Accounting Policy

The accounting policies pertaining to financial assets at FVPL are given in Notes 2.8.2, 2.8.3.3 and 2.8.3.7.

As at 31st December	2025	2024
	Rs 000	Rs 000
Measured at Fair Value		
Sri Lanka Government Rupee Securities		
Treasury Bills	2,559,553	12,983,098
Treasury Bonds	18,015	124,599
	2,577,568	13,107,697

There were no financial assets designated at FVPL as at the date of the Statement of Financial Position. (2024 - Nil)

All Financial Assets at FVPL are Unencumbered.

The maturity analysis of Financial Assets at FVPL is given in Note 52.

26 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

Accounting Policy

The accounting policies pertaining to financial assets measured at amortised cost - loans and advances are given in Notes 2.8.2, 2.8.3.1, 2.8.4 and 2.8.5. The accounting policies pertaining to impairment provisions and write-offs for loans and advances are given in Notes 2.8.6 and 2.8.9.

As at 31st December	2025 Rs 000	2024 Rs 000
Gross Loans and Advances		
Stage 1 (Note 26.6)	195,792,349	133,420,270
Stage 2 (Note 26.6)	10,578,743	13,976,522
Stage 3 (Note 26.6)	10,752,844	13,488,910
	217,123,936	160,885,702
Allowance for Expected Credit Losses		
Stage 1 (Note 26.6)	(1,688,770)	(1,144,168)
Stage 2 (Note 26.6)	(648,216)	(565,976)
Stage 3 (Note 26.6)	(6,734,891)	(8,106,511)
	(9,071,877)	(9,816,655)
Net Loans and Advances	208,052,059	151,069,047

26.1 Product-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Term Loans	145,712,822	110,867,968
Overdrafts	21,548,292	15,666,386
Trade Finance	3,736,499	1,851,014
Lease Rentals Receivable (Note 54.1)	17,974,832	11,386,967
Pawning and Gold Loans	21,155,351	14,739,176
Credit Cards	5,109,038	4,774,041
Others	1,887,102	1,600,150
	217,123,936	160,885,702

26.2 Currency-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Sri Lankan Rupee	199,088,613	152,576,986
United States Dollar	17,794,054	8,083,866
Japanese Yen	236,373	224,038
Others	4,896	812
	217,123,936	160,885,702

26.3 Industry-wise Analysis

Industry-wise analysis of loans and advances are found in Note 49.2.9.2 (Concentration by Industry Sector).

26.4 Collateralisation-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Unencumbered	217,123,936	160,885,702
	217,123,936	160,885,702

26.5 Individually Impaired Loans and Advances

As at 31st December	2025 Rs 000	2024 Rs 000
Gross amount of Loans and Advances, individually determined to be impaired, before deducting Impairment Losses	5,241,787	6,840,148
Less: Individual Impairment Losses	(3,550,357)	(4,281,056)
Net Exposure	1,691,430	2,559,092
Individually Impaired Loan Provision Cover (Individual Impairment Losses to Gross Individually Impaired Loans and Advances)	67.73%	62.59%
Individually Impaired Loans and Advances Ratio (Individually Impaired Loans and Advances to Gross Loans and Advances)	2.41%	4.25%

26.6 Stage Classification of Gross Loans and Advances and ECL Allowances

The tables below show the year end stage classification of gross loans and advances and ECL allowances. The amounts presented are gross of impairment allowances. Accounting policies on stage classification of gross loans and advances and details of ECL calculation methodologies at each stage are set out in Note 2.8.6.

As at 31st December	2025				2024			
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Term Loans	132,441,593	5,347,968	7,923,261	145,712,822	92,008,346	8,699,020	10,160,602	110,867,968
Overdrafts	19,112,837	1,370,086	1,065,369	21,548,292	12,033,017	2,518,542	1,114,827	15,666,386
Trade Finance	2,884,472	222,344	629,683	3,736,499	1,115,302	84,674	651,038	1,851,014
Lease Rentals Receivable	14,937,080	2,659,520	378,232	17,974,832	8,940,134	2,006,329	440,504	11,386,967
Pawning and Gold Loans	20,318,256	800,733	36,362	21,155,351	14,222,777	481,760	34,639	14,739,176
Credit Cards	4,211,009	178,092	719,937	5,109,038	3,513,123	186,198	1,074,720	4,774,041
Others	1,887,102	-	-	1,887,102	1,587,571	-	12,579	1,600,150
	195,792,349	10,578,743	10,752,844	217,123,936	133,420,270	13,976,522	13,488,910	160,885,702

There were no Purchased or Originated Credit Impaired (POCI) assets within loans and advances as at 31st December 2025. (2024 - Nil).

An analysis of changes in the gross carrying amounts and the corresponding ECL allowances in relation to loans and advances is as follows:

Gross Carrying Amounts

	Stage	2025						
		Balance as at 01/01/2025	Net Increase /(Decrease) During the Year*	Transfers to/(from)			Write-Off During the Year	Balance as at 31/12/2025
				Stage 1	Stage 2	Stage 3		
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Term Loans	Stage 1	92,008,346	40,578,228	1,183,040	(1,082,948)	(245,073)	-	132,441,593
	Stage 2	8,699,020	(3,500,613)	(1,048,068)	1,378,846	(181,217)	-	5,347,968
	Stage 3	10,160,602	(1,236,458)	(134,972)	(295,898)	426,290	(996,303)	7,923,261
Overdrafts	Stage 1	12,033,017	6,064,836	1,525,302	(442,171)	(68,147)	-	19,112,837
	Stage 2	2,518,542	(26,369)	(1,525,285)	442,515	(39,317)	-	1,370,086
	Stage 3	1,114,827	(150,769)	(17)	(344)	107,464	(5,792)	1,065,369
Trade Finance	Stage 1	1,115,302	1,769,170	-	-	-	-	2,884,472
	Stage 2	84,674	137,670	-	-	-	-	222,344
	Stage 3	651,038	(21,355)	-	-	-	-	629,683
Lease Rentals Receivable	Stage 1	8,940,134	6,845,371	301,629	(1,117,670)	(32,384)	-	14,937,080
	Stage 2	2,006,329	(146,525)	(286,785)	1,142,792	(56,291)	-	2,659,520
	Stage 3	440,504	(110,981)	(14,844)	(25,122)	88,675	-	378,232
Pawning and Gold Loans	Stage 1	14,222,777	6,132,899	-	(24,948)	(12,472)	-	20,318,256
	Stage 2	481,760	294,147	-	24,948	(122)	-	800,733
	Stage 3	34,639	(8,117)	-	-	12,594	(2,754)	36,362
Credit Cards	Stage 1	3,513,123	681,247	202,304	(126,426)	(59,239)	-	4,211,009
	Stage 2	186,198	(1,643)	(95,802)	135,090	(45,751)	-	178,092
	Stage 3	1,074,720	(37,554)	(106,502)	(8,664)	104,990	(307,053)	719,937
Others	Stage 1	1,587,571	312,686	5,827	(11,868)	(7,114)	-	1,887,102
	Stage 2	-	(11,868)	-	11,868	-	-	-
	Stage 3	12,579	(13,866)	(5,827)	-	7,114	-	-
		160,885,702	57,550,136	-	-	-	(1,311,902)	217,123,936

*This includes the effect of new disbursements, utilisations, repayments, settlements and the effect of movements in foreign exchange rates.

ECL Allowances

The below table shows stage-wise movements in ECL allowances during the year.

	2025			
	Balance as at 01/01/2025	Charge/ (Reversal) During the Year	Write-Off During the Year	Balance as at 31/12/2025
	Rs 000	Rs 000	Rs 000	Rs 000
Stage 1	1,144,168	544,602	-	1,688,770
Stage 2	565,976	82,239	-	648,216
Stage 3	8,106,511	(59,718)	(1,311,902)	6,734,891
	9,816,655	567,123	(1,311,902)	9,071,877

The below table shows stage-wise movements in ECL allowances during the year in each product category.

	Stage	2025			
		Balance as at 01/01/2025	Charge/ (Reversal) During the Year	Write-Off During the Year	Balance as at 31/12/2025
		Rs 000	Rs 000	Rs 000	Rs 000
Term Loans	Stage 1	440,748	361,311	-	802,059
	Stage 2	372,639	57,853	-	430,492
	Stage 3	5,948,291	(152,100)	(996,303)	4,799,888
Overdrafts	Stage 1	295,531	79,108	-	374,639
	Stage 2	121,705	11,708	-	133,413
	Stage 3	644,035	30,731	(5,792)	668,974
Trade Finance	Stage 1	7,838	9,864	-	17,702
	Stage 2	2,402	(603)	-	1,799
	Stage 3	417,734	23,659	-	441,393
Lease Rentals Receivable	Stage 1	36,817	30,029	-	66,846
	Stage 2	19,063	11,236	-	30,299
	Stage 3	85,643	37,958	-	123,601
Pawning and Gold Loans	Stage 1	142,235	60,948	-	203,183
	Stage 2	4,819	3,188	-	8,007
	Stage 3	349	21,486	(2,754)	19,081
Credit Cards	Stage 1	220,999	3,338	-	224,337
	Stage 2	45,349	(1,143)	-	44,206
	Stage 3	1,010,459	(21,452)	(307,053)	681,954
Others	Stage 1	-	4	-	4
	Stage 2	-	-	-	-
	Stage 3	-	-	-	-
		9,816,655	567,123	(1,311,902)	9,071,877

The charge/(reversal) in ECLs of the portfolios were driven by an increase/(decrease) in the gross size of the portfolios/ exposures, movements between stages as a result of a change in credit risk, changes in probability of defaults, loss given defaults, credit conversion factors, changes in macro-economic conditions and exchange rate variances in foreign currency provisions.

Gross Carrying Amounts

	Stage	2024						
		Balance as at 01/01/2024	Net Increase /(Decrease) During the Year*	Transfers to/(from)			Written Off During the Year	Balance as at 31/12/2024
				Stage 1	Stage 2	Stage 3		
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Term Loans	Stage 1	75,227,012	17,638,796	1,199,251	(1,704,832)	(351,882)	-	92,008,346
	Stage 2	11,324,490	(2,450,198)	(1,024,120)	1,804,010	(955,162)	-	8,699,020
	Stage 3	8,924,424	278,334	(175,131)	(99,178)	1,307,044	(74,890)	10,160,602
Overdrafts	Stage 1	8,985,050	2,921,032	698,254	(548,179)	(23,141)	-	12,033,017
	Stage 2	2,351,008	621,435	(677,404)	565,450	(341,947)	-	2,518,542
	Stage 3	1,318,616	(443,662)	(20,850)	(17,271)	365,088	(87,094)	1,114,827
Trade Finance	Stage 1	1,257,339	(160,728)	18,691	-	-	-	1,115,302
	Stage 2	132,854	(29,489)	(18,691)	-	-	-	84,674
	Stage 3	704,516	(53,478)	-	-	-	-	651,038
Lease Rentals Receivable	Stage 1	6,078,110	3,132,252	418,101	(640,479)	(47,850)	-	8,940,134
	Stage 2	2,441,810	(598,788)	(399,067)	685,035	(122,661)	-	2,006,329
	Stage 3	620,476	(286,805)	(19,034)	(44,556)	170,511	(88)	440,504
Pawning and Gold Loans	Stage 1	12,795,568	1,469,130	-	(38,710)	(3,211)	-	14,222,777
	Stage 2	1,509,219	(1,062,840)	-	38,710	(3,329)	-	481,760
	Stage 3	34,264	(6,165)	-	-	6,540	-	34,639
Credit Cards	Stage 1	3,417,048	51,898	304,952	(132,034)	(128,741)	-	3,513,123
	Stage 2	372,513	(26,791)	(193,607)	145,878	(111,795)	-	186,198
	Stage 3	991,537	(26,997)	(111,345)	(13,844)	240,536	(5,167)	1,074,720
Others	Stage 1	1,399,746	201,070	156	(1,605)	(11,796)	-	1,587,571
	Stage 2	156	(1,605)	(156)	1,605	-	-	(0)
	Stage 3	-	1,157	-	-	11,796	(374)	12,579
		139,885,756	21,167,559	-	-	-	(167,613)	160,885,702

*This includes the effect of new disbursements, utilisations, repayments, settlements and movements in foreign exchange rates.

ECL Allowances

The below table shows stage-wise movements in ECL allowances during the year.

	2024			
	Balance as at 01/01/2024	Charge/ (Reversal) During the Year	Write-Off During the Year	Balance as at 31/12/2024
	Rs 000	Rs 000	Rs 000	Rs 000
Stage 1	981,329	162,839	-	1,144,168
Stage 2	1,672,898	(1,106,922)	-	565,976
Stage 3	5,935,417	2,338,707	(167,613)	8,106,511
	8,589,644	1,394,624	(167,613)	9,816,655

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

The below table shows stage-wise movements in ECL allowances during the year in each product category.

	Stage	2024			
		Balance as at 01/01/2024	Charge/ (Reversal) During the Year	Write-Off During the Year	Balance as at 31/12/2024
		Rs 000	Rs 000	Rs 000	Rs 000
Term Loans	Stage 1	295,797	144,951	-	440,748
	Stage 2	1,250,047	(877,408)	-	372,639
	Stage 3	3,987,759	2,035,422	(74,890)	5,948,291
Overdrafts	Stage 1	285,991	9,540	-	295,531
	Stage 2	282,755	(161,050)	-	121,705
	Stage 3	665,811	65,318	(87,094)	644,035
Trade Finance	Stage 1	7,251	587	-	7,838
	Stage 2	5,038	(2,636)	-	2,402
	Stage 3	438,290	(20,556)	-	417,734
Lease Rentals Receivable	Stage 1	28,022	8,795	-	36,817
	Stage 2	25,681	(6,618)	-	19,063
	Stage 3	112,075	(26,344)	(88)	85,643
Pawning and Gold Loans	Stage 1	128,061	14,174	-	142,235
	Stage 2	15,141	(10,322)	-	4,819
	Stage 3	387	(38)	-	349
Credit Cards	Stage 1	235,922	(14,923)	-	220,999
	Stage 2	94,236	(48,887)	-	45,349
	Stage 3	731,095	284,531	(5,167)	1,010,459
Others	Stage 1	285	(285)	-	-
	Stage 2	-	-	-	-
	Stage 3	-	374	(374)	-
		8,589,644	1,394,624	(167,613)	9,816,655

The charge/(reversal) in ECLs of the portfolios were driven by an increase/(decrease) in the gross size of the portfolios/ exposures, movements between stages as a result of a change in credit risk, changes in probability of defaults, loss given defaults, credit conversion factors, changes in macro-economic conditions, and exchange rate variances in foreign currency provisions.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

There were no financial instruments that considered to have low credit risk, in accordance with SLFRS 9 - Financial Instruments under loans and advances as at the reporting date. (2024 - Nil).

The maturity analysis of loans and advances at amortised cost is given in Note 52.

27 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

Accounting Policy

The financial assets measured at amortised cost - debt and other instruments are given in Notes 2.8.2, 2.8.3.1, 2.8.4 and 2.8.5. The accounting policy pertaining to impairment provisions for - debt and other instruments is given in Note 2.8.6.

As at 31st December	2025 Rs 000	2024 Rs 000
Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 27.4)	49,674,814	58,309,874
Sri Lanka Government Foreign Currency Securities (Note 27.4)	5,451,950	5,121,025
	55,126,764	63,430,899
Less: Allowance for Expected Credit Losses (Note 27.4)	(69,931)	(82,067)
	55,056,833	63,348,832

27.1 Currency-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Sri Lankan Rupee	49,674,814	58,309,874
United States Dollar	5,451,950	5,121,025
	55,126,764	63,430,899

27.2 Collateralisation-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Pledged as Collateral	22,155,664	23,038,996
Unencumbered	32,971,100	40,391,903
	55,126,764	63,430,899

27.3 Maturity Analysis of Debt and Other Instruments

As at 31st December	2025			2024		
	Amount Due Within 12 Months Rs 000	Amount Due After 12 Months Rs 000	Total Rs 000	Amount Due Within 12 Months Rs 000	Amount Due After 12 Months Rs 000	Total Rs 000
Sri Lanka Government Rupee Securities						
Treasury Bills	7,832,707	-	7,832,707	29,566,030	-	29,566,030
Treasury Bonds	7,119,475	34,722,632	41,842,107	4,959,800	23,784,044	28,743,844
Sri Lanka Government Foreign Currency Securities						
USD PDI Bonds	274,772	704,496	979,268	247,143	902,073	1,149,216
USD Step-Up Bonds	4,527	4,468,155	4,472,682	-	3,971,809	3,971,809
	15,231,481	39,895,283	55,126,764	34,772,973	28,657,926	63,430,899

27.4 Stage Classification of Gross Debt and Other Instruments and ECL Allowances

The tables below show the year end stage classification of gross debt and other instruments and ECL allowances. The amounts presented are gross of impairment allowances. Accounting policies on stage classification of gross debt and other instruments and details of ECL calculation methodologies at each stage are set out in Note 2.8.6.

As at 31st December	2025			2024		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Sri Lanka Government Rupee Securities *						
Treasury Bills	7,832,707	-	7,832,707	29,566,030	-	29,566,030
Treasury Bonds	41,842,107	-	41,842,107	28,743,844	-	28,743,844
Sri Lanka Government Foreign Currency Securities**						
USD PDI Bonds	-	979,268	979,268	-	1,149,216	1,149,216
USD Step-Up Bonds	-	4,472,682	4,472,682	-	3,971,809	3,971,809
	49,674,814	5,451,950	55,126,764	58,309,874	5,121,025	63,430,899

*Rupee denominated Treasury Bills and Bonds issued by the Government of Sri Lanka (GOSL) are classified under Stage 1, in line with the Banking Act Direction No. 14 of 2021, on Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

**USD Step-up Bonds and USD PDI Bonds issued by the GOSL are classified under Stage 2, in line with the Banking Act Direction No. 14 of 2021 on Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

An analysis of changes in the gross carrying amounts and the corresponding ECL allowances in relation to debt and other instruments at amortised cost is as follows:

Gross Carrying Amounts

	Stage	2025			2024		
		Balance as at 01/01/2025	Net Increase/ (Decrease) During the Year	Balance as at 31/12/2025	Balance as at 01/01/2024	Net Increase /(Decrease) During the Year*	Balance as at 31/12/2024
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Sri Lanka Government Rupee Securities							
Treasury Bills	Stage 1	29,566,030	(21,733,323)	7,832,707	55,048,981	(25,482,951)	29,566,030
Treasury Bonds	Stage 1	28,743,844	13,098,263	41,842,107	18,771,229	9,972,615	28,743,844
Sri Lanka Government Foreign Currency Securities							
Sri Lanka International Sovereign Bonds (SLISBs)	Stage 2	-	-	-	12,793,257	(12,793,257)	-
USD PDI Bonds	Stage 2	1,149,216	(169,948)	979,268	-	1,149,216	1,149,216
USD Step-Up Bonds	Stage 2	3,971,809	500,873	4,472,682	-	3,971,809	3,971,809
		63,430,899	(8,304,135)	55,126,764	86,613,467	(23,182,568)	63,430,899

*This includes the effect of new investments, recoveries and movements in foreign exchange rates.

ECL Allowances

As at 31st December	2025			2024		
	Balance as at 01/01/2025	Reversals During the Year	Balance as at 31/12/2025	Balance as at 01/01/2024	Reversals During the Year	Balance as at 31/12/2024
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Stage 2	82,067	(12,136)	69,931	6,396,629	(6,314,562)	82,067
	82,067	(12,136)	69,931	6,396,629	(6,314,562)	82,067

	Stage	2025			2024		
		Balance as at 01/01/2025	Reversals During the Year	Balance as at 31/12/2025	Balance as at 01/01/2024	Charges/ (Reversals) During the Year	Balance as at 31/12/2024
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Sri Lanka Government Foreign Currency Securities							
Sri Lanka International Sovereign Bonds (SLISBs)	Stage 2	-	-	-	6,396,629	(6,396,629)	-
USD PDI Bonds	Stage 2	82,067	(12,136)	69,931	-	82,067	82,067
		82,067	(12,136)	69,931	6,396,629	(6,314,562)	82,067

The changes in ECLs are driven by increase/(decrease) in the gross size of the portfolios, changes in historical loss experience, changes in macro-economic conditions and exchange rate variances in foreign currency provisions.

There were no financial instruments that considered to have low credit risk, in accordance with SLFRS 9 - 'Financial Instruments' under debt and other instruments as at the reporting date. (2024-Nil).

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Accounting Policy

The accounting policies pertaining to financial assets at FVOCI are given in Notes 2.8.2, 2.8.3.4, 2.8.3.5, 2.8.4 and 2.8.5. All unquoted FVOCI equity instruments are recorded at cost since its fair value cannot be reliably estimated. There is no market for these instruments and the Bank intends to hold these for long-term.

As at 31st December	2025	2024
	Rs 000	Rs 000
Sri Lanka Government Rupee Securities		
Treasury Bills	3,958,335	8,524,494
Treasury Bonds	10,374,624	10,819,388
Equities - Unquoted (Note 28.1)	3,752	3,752
	14,336,711	19,347,634

28.1 Equities - Unquoted

As at 31st December	2025		2024	
	No. of Shares	Amount Rs 000	No. of Shares	Amount Rs 000
Credit Information Bureau of Sri Lanka (CRIB)	300	30	300	30
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	3	1,722	3	1,722
Lanka Clear (Private) Limited	100,000	1,000	100,000	1,000
Lanka Financial Services Bureau Limited (LFSB)	100,000	1,000	100,000	1,000
		3,752		3,752

28.2 Currency-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Sri Lankan Rupee	14,336,711	19,347,634
	14,336,711	19,347,634

28.3 Collateralisation-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Pledged as Collateral	-	6,101,500
Unencumbered	14,336,711	13,246,134
	14,336,711	19,347,634

The maturity analysis of financial assets at FVOCI is given in Note 52.

29 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one year.

Basis of Recognition

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

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. The cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding cost of day-to-day servicing). 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 the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of 'Computer Hardware'. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Cost Model

The Bank applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Bank applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Bank are revalued every three years on a roll over basis or more frequently if the fair values are substantially different from the carrying amounts to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

When asset's carrying value is increased as a result of a revaluation, the increase shall be recognised in 'Other Comprehensive Income' (OCI) and accumulated in equity under the heading of 'Revaluation Reserve'. However, the increase shall be recognised in Profit or Loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in Profit or Loss. If an asset's carrying value is decreased as a result of a revaluation, the decrease shall be recognised in Profit or Loss. However, the decrease shall be recognised in "Other Comprehensive Income' (OCI) to the extent of any credit balance existing in the 'Revaluation Reserve' in respect of that asset. The decrease recognised in 'Other Comprehensive Income' (OCI) reduces the amount accumulated in equity under the heading of 'Revaluation Reserve'.

A transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation reserve relating to the particular asset being sold/disposed off is transferred to retained earnings upon derecognition.

Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under the carrying values of that item.

Derecognition

The carrying values of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment which is calculated as the difference between the carrying values and the net disposal proceeds is included in Profit or Loss when the item is derecognised.

When replacement costs are recognised in the carrying values of an item of property, plant and equipment, the remaining carrying values of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying values of the previous cost of inspections is derecognised.

Depreciation

The Bank provides depreciation from the date the assets are available for use up to the date of disposal at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Bank of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the straight line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Buildings	40 Years
Office Equipment	6 Years
Computer Hardware and Equipment	6-10 Years
Furniture & Fittings	5-10 Years
Motor Vehicles	5 Years

The depreciation methods, useful lives and residual values of assets are reviewed at each financial reporting date. If there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method shall be changed to reflect the changed pattern.

29.1 Cost/Fair Value

	Freehold Land	Freehold Buildings	Office Equipment	Computer Hardware & Equipment	Furniture & Fittings	Motor Vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
As at 01st January 2025	1,665,000	664,000	466,867	950,661	883,099	20,507	4,650,134
Additions	-	-	55,453	376,235	82,312	-	514,000
Accumulated Depreciation Adjustment on Revaluation (Note 29.2)	-	(30,088)	-	-	-	-	(30,088)
Revaluation Surplus (Note 46)	60,000	52,088	-	-	-	-	112,088
Disposals	-	-	(10,450)	(155)	(7,432)	-	(18,037)
As at 31st December 2025	1,725,000	686,000	511,870	1,326,741	957,979	20,507	5,228,097

29.2 Depreciation and Impairment

	Freehold Land	Freehold Buildings	Office Equipment	Computer Hardware & Equipment	Furniture & Fittings	Motor Vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
As at 01st January 2025	-	-	422,767	610,497	670,225	20,428	1,723,917
Depreciation Charge for the Year (Note 15)	-	30,088	20,471	87,475	56,940	59	195,033
Accumulated Depreciation Adjustment on Revaluation (Note 29.1)	-	(30,088)	-	-	-	-	(30,088)
Disposals	-	-	(10,349)	(155)	(6,434)	-	(16,938)
As at 31st December 2025	-	-	432,889	697,817	720,731	20,487	1,871,924

There were no impairment losses recognised on Property, Plant and Equipment as at 31st December 2025 as per the assessment of the Board of Directors (2024 - Nil).

29.3 Net Book Value:

	Freehold Land	Freehold Buildings	Office Equipment	Computer Hardware & Equipment	Furniture & Fittings	Motor Vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
As at 31st December 2024	1,665,000	664,000	44,100	340,164	212,874	79	2,926,217
As at 31st December 2025	1,725,000	686,000	78,981	628,924	237,248	20	3,356,173

29.4 There were no capital work-in-progress outstanding as at the Statement of Financial Position Date. (2024 - Nil)

29.5 Freehold Land and Buildings

29.5.1 Addresses, Locations and Extents

Address	Extent		31st December 2025 Revalued Amount		31st December 2024 Revalued Amount	
	Land (Perches)	Building (Sq.ft)	Land	Building	Land	Building
			Rs 000	Rs 000	Rs 000	Rs 000
No: 450, Galle Road, Colombo 03	23.66	41,420	686,000	664,000	662,500	642,500
No: 08, Sea Avenue, Colombo 03	18.55	-	408,000	-	394,000	-
No: 10, Sea Avenue, Colombo 03	19.80	-	426,000	-	411,000	-
No: 12 & 12 1/1, Sea Avenue, Colombo 03	9.75	3,900	205,000	22,000	197,500	21,500
Total (Note 48.2)			1,725,000	686,000	1,665,000	664,000

29.5.2 The details of the land and buildings stated at revalued amounts as at 31st December 2025 are given below;

Location/Address	Valuer Name	Date of Valuation	Method of Valuation	Land		Building	
				Cost	Revalued Amount	Cost	Revalued Amount
				Rs 000	Rs 000	Rs 000	Rs 000
No 450: Galle Road, Colombo 03	J.M.S.Bandara	31st December 2025	Market Comparable Method (Land)/ Investment Method (Building)	183,970	686,000	212,333	664,000
No: 08, Sea Avenue, Colombo 03				106,167	408,000	-	-
No: 10, Sea Avenue, Colombo 03				82,437	426,000	-	-
No: 12 & 12 1/1, Sea Avenue, Colombo 03				41,079	205,000	10,920	22,000
				413,653	1,725,000	223,253	686,000

All freehold land and buildings owned by the Bank have been revalued by Mr. J.M.S. Bandara, an Independent Chartered Valuation Surveyor having recent experience of the location and the category of the assets valued. Revaluation surplus arising out of the revaluation has been transferred to Revaluation Reserve.

Significant Unobservable Valuation Inputs

Land : Estimated price per perch ranging from Rs. 21,000,000/- to Rs. 29,000,000/-. *

Buildings : Estimated price per sq.ft. ranging from Rs. 5,725/- to Rs.16,000/-.*
Estimated monthly rental value per sq.ft. - Rs. 245/-*
Expected market rental growth rate - on perpetuity basis.*
Discount rate - 5.3% **
Expected outgoing expenses - 35% from estimated monthly rental.**

*Significant increases/(decreases) in any of these inputs in isolation would result in a significantly higher/(lower) fair value.
**Significant increases/(decreases) in this input in isolation would result in a significantly (lower)/higher fair value.

Given below is a description of valuation techniques used in measuring freehold land and buildings.

Valuation Technique	Inter-relationship between significant unobservable inputs and fair value measurement
Market Comparable Method	Market comparable 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 the 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.
Investment Method	This method involves the capitalisation of the expected rental income at an appropriate rate of years purchased currently characterised by the real estate market.

Other fair value related disclosures on revalued land and buildings are provided in Note 48.2.

29.5.3 The carrying value of revalued land and buildings, if they were carried at cost less accumulated depreciation, would be as follows;

As at 31st December	2025			2024		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Freehold Land	413,653	-	413,653	413,653	-	413,653
Freehold Buildings	223,253	102,760	120,493	223,253	97,178	126,075
Total	636,906	102,760	534,146	636,906	97,178	539,728

29.6 A class-wise analysis of the cost/fair value of fully depreciated property, plant and equipment of the Bank which are still in use at the date of the Statement of Financial Position are as follows;

As at 31st December	2025	2024
	Rs 000	Rs 000
Office Equipment	384,706	357,557
Computer Hardware and Equipment	408,093	402,179
Furniture & Fittings	518,967	491,721
Motor Vehicles	20,209	20,209
	1,331,975	1,271,666

29.7 There were no property, plant and equipment identified as temporarily idle as at the date of the Statement of Financial Position (2024-Nil).

29.8 The following property, plant and equipment were retired from active use as at the date of the Statement of Financial Position.

As at 31st December	2025	2024
	Rs 000	Rs 000
Computer Hardware and Equipment	92,801	70,433

29.9 There were no restrictions on the title of property, plant and equipment as at the date of the Statement of Financial Position (2024 - Nil).

29.10 There were no items of property, plant and equipment pledged as securities against liabilities as at the date of the Statement of Financial Position (2024 - Nil).

29.11 There were no capitalised borrowing costs relating to acquisition of property, plant and equipment during the year (2024 - Nil).

29.12 The significant Capital Commitments to acquire property, plant and equipment at the date of the Statement of Financial Position are disclosed in the Note 53.1.1

30 RIGHT-OF-USE (ROU) ASSETS

Accounting Policy

The Bank assesses at contract inception whether the 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 as per SLFRS 16 and recognise Right-of-Use (ROU) assets and lease liabilities.

Bank as a Lessee

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

The Bank recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU 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. ROU assets are depreciated on a straight line basis over the lease term and are subject to impairment in line with the Bank's policy for impairment of non-financial assets.

At the commencement date of the lease, the Bank 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 Bank 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.

Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Bank as a Lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the Incremental Borrowing Rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR, therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

Bank as a Lessor

Leases in which the Bank 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.

30.1 Assets hold under lease have been recognised as ROU assets under SLFRS 16.

	2025 Rs 000	2024 Rs 000
As at 01st January	1,409,786	1,399,766
Additions	448,750	365,382
Leases Derecognised before Expiry	(33,964)	(44,850)
Amortisation Charge (Note 15)	(336,128)	(310,512)
As at 31st December	1,488,444	1,409,786

30.2 Corresponding lease liabilities for the ROU assets have been recognised under 'Other Liabilities'.

	2025 Rs 000	2024 Rs 000
As at 01st January	1,558,344	1,512,130
Additions	426,773	346,214
Accretion of Interest (Note 6)	156,777	137,514
Leases Derecognised before Expiry	(22,424)	(44,262)
Rentals Paid	(402,792)	(393,252)
As at 31st December (Note 38)	1,716,678	1,558,344

30.3 Maturity Analysis of Lease Liabilities

As at 31st December	2025			
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year But Less Than 5 Years	Amount Repayable After 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Gross Lease	367,522	1,169,212	471,637	2,008,371
Finance Charges Allocated to Future Periods	(53,378)	(169,815)	(68,500)	(291,693)
Net Lease Liabilities	314,144	999,397	403,137	1,716,678

As at 31st December	2024			
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year But Less Than 5 Years	Amount Repayable After 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Gross Lease	372,920	1,161,451	540,440	2,074,811
Finance Charges Allocated to Future Periods	(92,828)	(289,111)	(134,528)	(516,467)
Net Lease Liabilities	280,092	872,340	405,912	1,558,344

30.4 Sensitivity on Assumptions in ROU Assets

The following table demonstrates the sensitivity to possible changes in key assumptions employed with all other variables held constant in the ROU assets and lease liabilities. The sensitivity of the Statement of Financial Position and the Statement of Profit or Loss is the effect of the assumed changes in the incremental borrowing rate on the Profit or Loss and ROU assets/lease liabilities for the year.

As at 31st December	2025			
	Sensitivity Effect on the Statement of Financial Position		Sensitivity Effect on the Statement of Profit or Loss	
	ROU Assets	Lease Liabilities	Depreciation	Interest Expense
	Rs 000	Rs 000	Rs 000	Rs 000
Increase/(Decrease) in Incremental Borrowing Rate				
1%	(93,774)	(93,774)	(10,841)	18,181
(1%)	99,553	99,553	11,454	(18,130)

As at 31st December	2024			
	Sensitivity Effect on the Statement of Financial Position		Sensitivity Effect on the Statement of Profit or Loss	
	ROU Assets	Lease Liabilities	Depreciation	Interest Expense
	Rs 000	Rs 000	Rs 000	Rs 000
Increase/(Decrease) in Incremental Borrowing Rate				
1%	(80,855)	(80,855)	(9,211)	15,839
(1%)	85,780	85,780	9,716	(15,795)

31 INTANGIBLE ASSETS

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Bank's intangible assets include cost of core banking software licenses and other computer software.

Basis of Recognition

An intangible asset is recognised only when it is probable that the expected future economic benefits that are attributable to it will flow to the Bank and its cost can be measured reliably.

Measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed as incurred.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Amortisation

Intangible assets are amortised on straight line basis to Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Bank. The estimated useful lives are as follows:

Core Banking Software License	15 Years
Other Software	8 Years

The above rates are also comparable with the rates applied in the previous year. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Expenditure on an intangible item that was initially recognised as an expense by the Bank in previous financial years is not recognised as part of the cost of that intangible asset at a later date.

Retirement and Disposal

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset and are recognised in Profit or Loss.

Computer Software

31.1 Cost

	Total Rs 000
As at 01st January 2025	887,244
Additions	168,562
Disposals	(166,563)
As at 31st December 2025	889,243

31.2 Amortisation

	Total Rs 000
As at 01st January 2025	558,562
Amortisation Charge for the Year (Note 15)	100,078
Disposals	(160,413)
As at 31st December 2025	498,227

31.3 Net Book Value

As at 31st December 2024	328,682
As at 31st December 2025	391,016

31.4 There were no intangible asset items pledged as a security against liabilities as at the date of the Statement of Financial Position (2024 - Nil).

31.5 There were no capitalised borrowing costs related to intangible assets acquired during the year (2024 - Nil).

31.6 There were no impairment losses recognised to Profit or Loss during the year with regard to intangible assets (2024 - Nil).

31.7 The following Software were retired from active use as at the date of the Statement of Financial Position.

As at 31st December	2025 Rs 000	2024 Rs 000
Computer Software	3,891	126,892

31.8 The significant Capital Commitments to acquire intangible assets at the date of the Statement of Financial Position are disclosed in the Note 53.1.1

32 OTHER ASSETS

Accounting Policy

Other assets are stated at cost less accumulated impairment losses.

As at 31st December	2025 Rs 000	2024 Rs 000
Deposits and Prepayments	642,908	525,461
Pre-paid Staff Cost (Note 32.1)	434,911	391,515
Items in Transit	47,990	204,913
Other Receivables (Note 32.2)	557,877	181,980
	1,683,686	1,303,869

32.1 The movement in Pre-paid Staff Cost during the year is as follows;

	2025 Rs 000	2024 Rs 000
As at 01st January	391,515	288,176
Additions during the year	124,419	172,409
Reversals due to Settlements	(40,263)	(32,833)
Amortisation Charge for the Year (Note 14)	(40,760)	(36,237)
As at 31st December	434,911	391,515

32.2 Other receivables include other statutory receivables and other balances due in the ordinary course of business.

33 DUE TO BANKS

Accounting Policy

The accounting policies pertaining to due to banks are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5. Due to banks represents call money borrowings, refinance borrowings and balances with foreign banks.

As at 31st December	2025 Rs 000	2024 Rs 000
Call Money Borrowings	10,360,361	7,067,333
Refinance Borrowings	2,529,609	1,815,561
Balances with Foreign Banks	162,713	10,718
	13,052,683	8,893,612

The Bank has not had any defaults of capital, interest or other breaches with regard to any liability during the year (2024 - Nil).

The maturity analysis of due to banks is given in Note 52.

34 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEPOSITORS

Accounting Policy

The accounting policies pertaining to financial liabilities at amortised cost - due to depositors are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5. Due to depositors includes demand deposits, savings deposits, time deposits, deposits payable at call, certificate of deposits and margin deposits.

34.1 Product-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Demand Deposits	8,790,235	8,502,083
Savings Deposits	37,823,354	32,349,241
Time Deposits	182,513,128	149,459,014
Certificate of Deposits	289,999	699,043
Margin Deposits	1,623,028	283,781
	231,039,744	191,293,162

34.2 Currency-wise Analysis

As at 31st December	2025 Rs 000	2024 Rs 000
Sri Lankan Rupee	194,706,765	170,416,138
United States Dollar	31,872,465	18,626,140
Great Britain Pound	2,135,855	971,224
Australian Dollar	1,621,642	800,698
Euro	445,258	342,839
Others	257,759	136,123
	231,039,744	191,293,162

The maturity analysis of financial liabilities at amortised cost - due to depositors is given in Note 52.

35 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEBT SECURITIES HOLDERS

Accounting Policy

The accounting policies pertaining to financial liabilities at amortised cost - due to debt securities holders are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5.

As at 31st December	2025 Rs 000	2024 Rs 000
Unsecured Term Facility Borrowings (Note 51.6)	4,998,322	1,592,971
	4,998,322	1,592,971

The Bank has not had any defaults of capital, interest or other breaches with regard to any liability during the year (2024 - Nil).

The maturity analysis of financial liabilities at amortised cost - due to debt securities holders is given in Note 52.

35.1 Unsecured Term Facility Borrowings - Capital

	Senior Floating Rs 000
As at 01st January 2025	1,576,645
Receipts (Note 51.6)	5,000,000
Repayments (Note 51.6)	(1,576,645)
As at 31st December 2025	5,000,000

36 CURRENT TAX LIABILITIES

The policy adopted in accounting for current tax liabilities is given in Note 18 to the Financial Statements.

	2025 Rs 000	2024 Rs 000
As at 01st January	1,156,336	2,609,962
Current Tax Charge on Profit for the Year (Note 18)	2,376,535	372,127
Over Provisions in Respect of Previous Years (Note 18)	(355,967)	(513,524)
Income Tax Paid and Other Tax Credits	(1,757,494)	(1,312,229)
As at 31st December	1,419,410	1,156,336

37 OTHER PROVISIONS AND ACCRUALS

Accounting Policy

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Provisions for operational risk events are recognised for losses incurred by the Bank which do not relate directly to amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

As at 31st December	2025 Rs 000	2024 Rs 000
Utility Payables	141,177	148,233
Other Accruals	663,644	884,969
	804,821	1,033,202

38 OTHER LIABILITIES

Accounting Policy

Other liabilities are recorded at the cash value to be paid when settled. Accounting policies related to allowance for ECL on financial guarantees and documentary credit and lease liabilities are disclosed in Note 2.8.6.2 and Note 30 respectively.

As at 31st December	2025 Rs 000	2024 Rs 000
Cheques Pending Realisation	7,552	739
Claims Payable	235,165	294,886
Allowance for ECL on Financial Guarantees and Documentary Credit (Note 38.3)	151,869	125,010
Lease Liabilities (Note 30.2)	1,716,678	1,558,344
Taxes and Other Statutory Payables (Note 38.1)	1,142,000	1,851,161
Items in Transit	322,649	61,989
Other Creditors (Note 38.2)	1,703,693	1,263,938
	5,279,606	5,156,066

38.1 Taxes and other statutory payables include VAT payable on financial services, normal VAT payable, SSCL payable etc.

38.2 Other creditors include miscellaneous payables in the ordinary course of business.

38.3 Allowance for ECL on Financial Guarantees and Documentary Credit

	ECL Allowances as at 01/01/2025	Charge/ (Reversal) for the Year	ECL Allowances as at 31/12/2025	ECL Allowances as at 01/01/2024	Charge for the Year	ECL Allowances as at 31/12/2024
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Guarantees (Note 13)	81,152	(5,935)	75,217	79,623	1,529	81,152
Documentary Credit (Note 13)	43,858	32,794	76,652	29,716	14,142	43,858
	125,010	26,859	151,869	109,339	15,671	125,010

The nominal values of financial guarantees and documentary credit are disclosed in Note 53.

All financial guarantees and documentary credit outstanding as at the year-end are Stage 1 exposures (2024-Stage 1).

The changes in ECLs of the financial guarantees and documentary credit were driven by the changes in gross size of the portfolios, changes in historical loss experience and changes in macro-economic conditions.

39 RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised under the 'Personnel Expenses' in the Profit or Loss in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with the respective statutes and regulations. Accordingly, the Bank contributes 12% - 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense under 'Personnel Expenses'.

Defined Benefit Plan - Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using 'Projected Unit Credit Method, as recommended by LKAS 19 - Employee Benefits and resulting actuarial gains/(losses) are recognised in full in the Other Comprehensive Income (OCI). The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the liability. Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The amounts recognised in the Statement of Profit of Loss and the Statement of Comprehensive Income in respect of defined benefit plan costs are as follows;

39.1 Defined Benefit Plan Expenses

For the Year Ended	2025 Rs 000	2024 Rs 000
Current Service Cost (Note 39.2)	70,513	61,178
Interest Cost (Note 39.2)	75,109	70,832
Components Recognised in Profit or Loss (Note 14)	145,622	132,010
Remeasurement of Net Defined Benefit Obligations		
Actuarial (Gains)/Losses (Note 39.2)	(1,698)	106,088
Components Recognised in Other Comprehensive Income	(1,698)	106,088

39.2 Movement in the Defined Benefit Plan - Retiring Gratuity Obligation

The movements in the present value of the defined benefit plan obligation are as follows:

	2025 Rs 000	2024 Rs 000
As at 01st January	682,806	505,946
Current Service Cost	70,513	61,178
Interest Cost	75,109	70,832
Actuarial (Gains)/Losses Due to Changes in Assumptions	(1,698)	106,088
Benefits Paid During the Year	(63,904)	(61,238)
As at 31st December	762,826	682,806

Actuarial valuation of retiring gratuity obligation as at 31st December 2025 was carried out by Mr. Pushpakumara Gunasekera, Associate of the Institute of Actuaries of Australia on behalf of Messrs. Smiles Global (Pvt) Limited, a firm of professional actuaries using 'Projected Unit Credit Method' as recommended by LKAS 19 - Employee Benefits.

The principal assumptions used in determining the retiring benefit obligation are given below;

	2025	2024
Discount Rate (Note 39.3)	10% p.a.	11% p.a.
Future Salary Increment Rate	10% p.a.	11% p.a.
Normal Retirement Age	57-60 Years	57-60 Years
Staff Turnover Rate	19% p.a.	21% p.a.
Mortality	1967-70 Mortality Table issued by the Institute of Actuaries, London	1967-70 Mortality Table issued by the Institute of Actuaries, London

Defined benefit plan obligation is not externally funded. Hence, no contributions are expected for the year 2026.

39.3 Discount Rate

The Bank uses market yields at the end of the reporting date on Treasury Bonds issued by the Government of Sri Lanka for the remaining maturity corresponds with the remaining average working life of the employees of the Bank to determine the discount rate.

39.4 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the retiring gratuity obligation measurement as at the reporting date. The sensitivity of the Statement of Financial Position and the Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and the salary increment rate on the Statement of Comprehensive Income and the retiring gratuity obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	2025		2024	
		Sensitivity Effect on the Statement of Comprehensive Income	Sensitivity Effect on the Defined Benefit Obligation	Sensitivity Effect on the Statement of Comprehensive Income	Sensitivity Effect on the Defined Benefit Obligation
		Rs 000	Rs 000	Rs 000	Rs 000
1%	-	30,329	(30,329)	25,209	(25,209)
(1%)	-	(33,025)	33,025	(27,305)	27,305
-	1%	(36,240)	36,240	(30,166)	30,166
-	(1%)	33,860	(33,860)	28,330	(28,330)

39.5 Maturity Profile of Defined Benefit Obligation Plan

The maturity profile of the defined benefit obligation plan as at the date of the Statement of Financial Position is given below;

	2025	2024
Weighted Average Duration of Defined Benefit Obligation (Years)	5.90	5.72
Average Time to Benefit Payout (Years)	5.04	4.59

39.6 Distribution of Defined Benefit Obligation Over Future Lifetime

The following table demonstrates the distribution of the future working lifetime of the defined benefit obligation as at the date of the Statement of Financial Position.

As at 31st December	2025	2024
	Rs 000	Rs 000
Less than 1 Year	17,565	13,481
Between 1 - 2 Years	12,931	3,812
Between 2 - 5 Years	405,410	665,513
Over 5 Years	326,920	-
	762,826	682,806

40 SUBORDINATED DEBENTURES

Accounting Policy

Subordinated debentures represent funds borrowed for long term funding purposes of the Bank which are subordinated to the other claims. The accounting policies pertaining to subordinated debentures are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5.

	2025 Rs 000	2024 Rs 000
Unlisted, Unsecured, Subordinated, Redeemable Debentures		
As at 01st January	872,839	872,839
Redeemed During the Year (Note 51.6)	(820,000)	-
Interest Accrued During the Year (Note 6)	61,961	115,115
Interest Paid (Note 51.6)	(114,800)	(115,115)
As at 31st December	-	872,839

The Bank has not had any defaults of capital, interest or other breaches with regard to any liability during the year (2024-Nil).

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

41 STATED CAPITAL

Ordinary Voting Shares

Ordinary voting shares in the Bank are recognised at the amount paid per ordinary share net of directly attributable issue costs. The shares of the Bank are quoted in the Colombo Stock Exchange. The holders of the ordinary voting shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

Ordinary Non-Voting Shares

There were no ordinary non-voting shares as at 31st December 2025. (2024 - Nil).

	2025		2024	
	No. of Shares	Amount Rs 000	No. of Shares	Amount Rs 000
Ordinary Voting Shares	442,561,629	3,614,253	442,561,629	3,614,253
As at 31st December	442,561,629	3,614,253	442,561,629	3,614,253

There were no changes to the number of ordinary shares and the stated capital of the Bank during the year (2024 - Nil).

42 STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by the Section 20 (1) of the Banking Act No. 30 of 1988. A sum equivalent to 5% of the Profit After Tax (Profit for the Year) should be transferred to the statutory reserve fund until the reserve is equal to 50% of the stated capital of the Bank and thereafter a sum equivalent to 2% of such profits until the amount of reserve is equal to the stated capital of the Bank. This statutory reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

	2025 Rs 000	2024 Rs 000
As at 01st January	1,194,474	987,738
Transferred from Retained Earnings (Note 44)	200,279	206,736
As at 31st December	1,394,753	1,194,474

43 SPECIAL RESERVE

As per the Central Bank of Sri Lanka letter dated 13th February 2025, the Bank has created a 'Special Reserve' by transferring an amount equivalent to 15% of the fair value of USD Step-Up Bonds which carry an LKR settlement option, from the Retained Earnings, by considering the settlement risk associated with the USD bonds received to replace the restructured Sri Lanka International Sovereign Bonds, as a temporary measure for a period of six months commencing from 31st December 2024. This reserve is excluded from regulatory capital requirements.

However, the Bank continues to maintain this reserve until further notice, in accordance with the instructions issued by the Central Bank of Sri Lanka.

	2025 Rs 000	2024 Rs 000
As at 01st January	595,771	-
Transferred from Retained Earnings (Note 44)	-	595,771
As at 31st December	595,771	595,771

44 RETAINED EARNINGS

	2025 Rs 000	2024 Rs 000
As at 01st January	19,954,770	16,794,390
Profit for the Year	4,005,578	4,134,716
Other Comprehensive Income for the Year	1,189	(74,262)
Transferred to Statutory Reserve Fund (Note 42)	(200,279)	(206,736)
Realisation of Revaluation Reserve (Note 46)	13,074	13,074
Final Cash Dividend Paid (Note 19.2.1)	(442,562)	(110,640)
Transferred to Special Reserve (Note 43)	-	(595,771)
As at 31st December	23,331,770	19,954,770

45 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) RESERVE

The FVOCI reserve comprises the cumulative net change in the fair value of financial assets measured at FVOCI until such investments are derecognised or impaired.

	2025 Rs 000	2024 Rs 000
As at 01st January	165,129	-
Net Fair Value Gains arising on Remeasurement of Debt Instruments at FVOCI	235,384	259,508
Reclassification to Gains to Profit or Loss due to Derecognition of Debt Instruments at FVOCI	(278,634)	(23,609)
	(43,250)	235,899
Deferred Tax Effect	12,975	(70,770)
	(30,275)	165,129
As at 31st December	134,854	165,129

46 REVALUATION RESERVE

The revaluation reserve represents the fair value changes of the freehold land and buildings of the Bank arising from revaluation.

	2025 Rs 000	2024 Rs 000
As at 01st January	1,253,381	1,201,270
Revaluation Surplus on of Freehold Land and Buildings (Note 29.1)	112,088	93,122
Deferred Tax Effect	(33,626)	(27,937)
	78,462	65,185
Realisation to Retained Earnings (Note 44)	(13,074)	(13,074)
As at 31st December	1,318,769	1,253,381

47 ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an on-going basis at either fair value or amortised cost. The summary of material accounting policy information in Note 2 describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments and by Statement of Financial Position headings;

As at 31st December 2025	Financial Assets at FVPL Rs 000	Financial Assets at FVOCI Rs 000	Financial Assets and Liabilities at Amortised Cost Rs 000	Derivative Financial Instruments at Fair Value Rs 000	Total Rs 000
Financial Assets					
Cash and Cash Equivalents	-	-	5,273,592	-	5,273,592
Balances with Central Bank of Sri Lanka	-	-	11,847,843	-	11,847,843
Placements with Banks	-	-	1,049,717	-	1,049,717
Reverse Repurchase Agreements	-	-	2,531,544	-	2,531,544
Derivative Financial Instruments	-	-	-	158,553	158,553
Financial Assets at FVPL	2,577,568	-	-	-	2,577,568
Financial Assets at Amortised Cost - Loans and Advances	-	-	208,052,059	-	208,052,059
Financial Assets at Amortised Cost - Debt and Other Instruments	-	-	55,056,833	-	55,056,833
Financial Assets at FVOCI	-	14,336,711	-	-	14,336,711
	2,577,568	14,336,711	283,811,588	158,553	300,884,420
Financial Liabilities					
Due to Banks	-	-	13,052,683	-	13,052,683
Repurchase Agreements	-	-	20,241,528	-	20,241,528
Derivative Financial Instruments	-	-	-	26,685	26,685
Financial Liabilities at Amortised Cost - Due to Depositors	-	-	231,039,744	-	231,039,744
Financial Liabilities at Amortised Cost -Due to Debt Securities Holders	-	-	4,998,322	-	4,998,322
Other Liabilities	-	-	1,915,635	-	1,915,635
	-	-	271,247,912	26,685	271,274,597

As at 31st December 2024	Financial Assets at FVPL	Financial Assets at FVOCI	Financial Assets and Liabilities at Amortised Cost	Derivative Financial Instruments at Fair Value	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash and Cash Equivalents	-	-	3,413,701	-	3,413,701
Balances with Central Bank of Sri Lanka	-	-	5,499,181	-	5,499,181
Reverse Repurchase Agreements	-	-	1,001,140	-	1,001,140
Derivative Financial Instruments	-	-	-	79,869	79,869
Financial Assets at FVPL	13,107,697	-	-	-	13,107,697
Financial Assets at Amortised Cost - Loans and Advances	-	-	151,069,047	-	151,069,047
Financial Assets at Amortised Cost - Debt and Other Instruments	-	-	63,348,832	-	63,348,832
Financial Assets at FVOCI	-	19,347,634	-	-	19,347,634
	13,107,697	19,347,634	224,331,901	79,869	256,867,101
Financial Liabilities					
Due to Banks	-	-	8,893,612	-	8,893,612
Repurchase Agreements	-	-	25,345,992	-	25,345,992
Derivative Financial Instruments	-	-	-	58,248	58,248
Financial Liabilities at Amortised Cost - Due to Depositors	-	-	191,293,162	-	191,293,162
Financial Liabilities at Amortised Cost -Due to Debt Securities Holders	-	-	1,592,971	-	1,592,971
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,719,278	-	1,719,278
	-	-	229,717,854	58,248	229,776,102

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank measures financial instruments such as financial assets at FVPL, financial assets at FVOCI, financial derivatives and non-financial assets such as certain classes of property, plant and equipment at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised below.

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:

* In the principal market for the asset or liability

or

* In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account of a market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

48.1 Financial Instruments and Non-Financial Assets 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. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Derivatives

Derivative products valued with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward exchange spot and forward premiums/discounts.

(b) Financial Assets at FVOCI

Financial assets at FVOCI primarily consist of unquoted equity securities and Sri Lanka government Rupee securities. Sri Lanka Government Rupee securities are valued using the published Yield Curves by the Central Bank of Sri Lanka while quoted equity securities are valued using quoted market prices in the active markets as at the reporting date.

(c) Financial Assets at FVPL

Financial assets at FVPL include Sri Lanka Government Rupee Securities and unit trust securities. Sri Lanka Government Rupee Securities are valued using yield curves published by the Central Bank of Sri Lanka. The Bank uses net asset value of units as at the reporting date as the market value of the units.

(d) Property, Plant & Equipment

Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Further details of fair value measurements of land and buildings are disclosed in Note 29.5

48.2 Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments and non-financial assets by valuation technique.

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 that have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation at the end of each reporting date.

External valuers are involved for valuation of significant assets such as properties and significant liabilities such as defined benefit obligations. The selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date the management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Bank's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management in conjunction with the Bank's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations.

Also, the Bank has not changed the valuation models and assumptions used to measure the fair values of Level 3 financial instruments/assets during the year 2025. Further, there are no material changes in the fair value of financial assets categorised under Level 3, compared to the values reported as at 31st December 2024.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

a) The following table shows an analysis of financial instruments and non-financial assets and liabilities recorded at fair value by level of fair value hierarchy.

As at 31st December 2025	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Financial Assets				
Derivative Financial Instruments (Note 24)	-	158,553	-	158,553
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 25)	2,577,568	-	-	2,577,568
Financial Assets at FVOCI				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 28)	14,332,959	-	-	14,332,959
- Equities - Unquoted (Note 28)	-	3,752	-	3,752
	16,910,527	162,305	-	17,072,832
Non-Financial Assets				
Land - Revalued (Note 29.5)	-	-	1,725,000	1,725,000
Buildings - Revalued (Note 29.5)	-	-	686,000	686,000
	-	-	2,411,000	2,411,000
Financial Liabilities				
Derivative Financial Instruments (Note 24)	-	26,685	-	26,685
	-	26,685	-	26,685

As at 31st December 2024	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Financial Assets				
Derivative Financial Instruments (Note 24)	-	79,869	-	79,869
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 25)	13,107,697	-	-	13,107,697
Financial Assets at FVOCI				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 28)	19,343,882			19,343,882
- Equities - Unquoted (Note 28)	-	3,752	-	3,752
	32,451,579	83,621	-	32,535,200
Non-Financial Assets				
Land - Revalued (Note 29.5)	-	-	1,665,000	1,665,000
Buildings - Revalued (Note 29.5)	-	-	664,000	664,000
	-	-	2,329,000	2,329,000
Financial Liabilities				
Derivative Financial Instruments (Note 24)	-	58,248	-	58,248
	-	58,248	-	58,248

b) The following table shows the fair value gains/(losses) recognised in Profit or Loss for the year relating to financial assets and liabilities at FVPL held at the year end.

	2025 Rs 000	2024 Rs 000
Financial Assets/Liabilities		
Derivative Financial Instruments (Note 8)	110,248	137,451
Financial Assets at FVPL		
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 9)	(51,774)	(70,282)
	58,474	67,169

48.3 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 liabilities that have a short term maturity, it is assumed that the carrying value approximates their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka, Placements with Banks and Reverse Repurchase Agreements. This assumption is also applied to Call Money Borrowings, Balances with Foreign Banks, Repurchase Agreements, Demand Deposits, Margin Deposits, Savings Accounts without a specific maturity, floating rate instruments and fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence, the carrying value represents the fair value of the variable rate instruments.

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

As at 31st December	2025					2024				
	Carrying Value	Fair Value				Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets										
Cash and Cash Equivalents	5,273,592	-	5,273,592	-	5,273,592	3,413,701	-	3,413,701	-	3,413,701
Balances with Central Bank of Sri Lanka	11,847,843	-	11,847,843	-	11,847,843	5,499,181	-	5,499,181	-	5,499,181
Placements with Banks	1,049,717	-	1,049,717	-	1,049,717	-	-	-	-	-
Reverse Repurchase Agreements	2,531,544	-	2,531,544	-	2,531,544	1,001,140		1,001,140	-	1,001,140
Loans and Advances - at Amortised Cost	208,052,059	-	208,328,645	-	208,328,645	151,069,047	-	151,313,288	-	151,313,288
Debt and Other Instruments - at Amortised Cost	55,056,833	46,789,805	8,762,954	-	55,552,759	63,348,832	55,473,667	8,993,370	-	64,467,037
	283,811,588	46,789,805	237,794,295	-	284,584,100	224,331,901	55,473,667	170,220,680	-	225,694,347
Financial Liabilities										
Due to Banks	13,052,683	-	13,052,683	-	13,052,683	8,893,612	-	8,893,612	-	8,893,612
Repurchase Agreements	20,241,528	-	20,241,528	-	20,241,528	25,345,992	-	25,345,992	-	25,345,992
Due to Depositors - at Amortised Cost	231,039,744	-	233,652,801	-	233,652,801	191,293,162	-	195,009,495	-	195,009,495
Due to Debt Securities Holders - at Amortised Cost	4,998,322	-	4,998,322	-	4,998,322	1,592,971	-	1,592,971	-	1,592,971
Subordinated Debentures	-	-	-	-	-	872,839	-	872,839	-	872,839
Other Liabilities	1,915,635	-	1,918,545	-	1,918,545	1,719,278	-	1,738,523	-	1,738,523
	271,247,912	-	273,863,879	-	273,863,879	229,717,854	-	233,453,432	-	233,453,432

49 RISK MANAGEMENT

49.1 Introduction

Risk is inherent in Bank's activities, but is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls as per the risk appetite of the Bank. The process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his/her responsibilities. The Bank's exposure to risk could be broadly categorised into credit risk, market risk, liquidity risk and operational risk. In addition, the impact of other risks such as strategic risk, reputational risk, compliance risk and legal risk are also monitored to avoid any additional impact on the Bank. The impact on risk could be segregated as external or internal according to the nature of the business. External risks may be due to changes in political, regulatory and other changes in the industry could impact the strategic processes of the Bank.

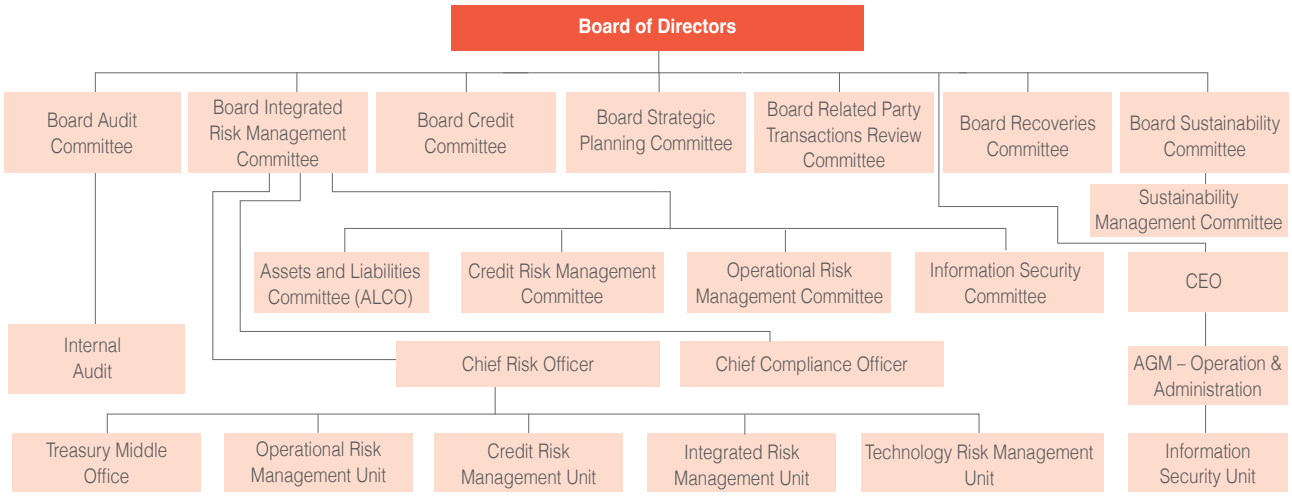
Risk Management Objectives, Policies and Processes

The foremost objective of the risk management is to assess the uncertainty of the future in order to make the best possible decision at present ensuring a return with the minimum impact on the financial position and profitability. The Bank's all risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Further, all risk management policies are updated regularly to reflect changes in market conditions, products and services offered by the Bank and requirements of the regulators.

Measurement of financial instruments is done with proper assessment of expectation in future cash flows. The most imperative methods of ascertaining the risk of such instruments is done by way of assessing the future settlement plan. Early identification of any issues had been the key factor to arrest and addresses the challenges of the environment and the expectation of the Bank. Having identified the categories of the measurements, the mitigating controls were introduced for better portfolio management. Separate management methods were introduced as per collateral, risk rating, and cash flow attached to each instruments. Stringent measures were introduced for items which needed close monitoring.

Risk Governance and Risk Management Strategies and Systems

The Bank's overall responsibility for risk management falls on the Board of Directors. Accordingly, the Bank has established a robust and pervasive risk culture and clear policies that defines the responsibilities of corporate and senior management subject to the oversight of the Board. There are committees at both the Board and the Management levels to ensure that all risks are appropriately managed and risk limits are established based on the appetite of the Bank.



Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls and risk management systems, internal audit process, and the Bank's process for monitoring compliance with legal and regulatory requirements, appointment of external auditors, determination of their fees, ensuring their objectivity and independence and maintaining high standards of good Corporate Governance practices to conform to highest ethical standards. The Board Audit Committee is assisted in these functions by Internal Audit Department. Internal Audit Department undertakes both adhoc and regular reviews of risk management controls and procedures in accordance with the Audit Plan, the results of which are reported to the Board Audit Committee.

Board Credit Committee

The Board of Directors has delegated the responsibility for the oversight of credit management functions of the Bank to the Board Credit Committee. The Board Credit Committee discharges its main responsibilities to operate a sound credit granting process, maintain an appropriate credit administration, maintain adequate controls over credit risk, identification and administration of problem advances, proper evaluation of new business opportunities, cyclical aspects of internal and external economy and review of facilities sanctioned by the Committee and issue of further instructions, if necessary.

Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee mainly looks into the overall risk management aspects of the Bank. The Committee adopts risk strategies, frameworks, and policies and is also responsible for implementation of these strategies and plans. The Committee meets on quarterly basis and discusses the predetermined risk goals implemented as per the Bank wide risk management policy adopted by the Board and review the performances of the management committees. Risk dashboard, risk aggregation reports along with stress testing methodology are used to access the overall risk level of the Bank.

Board Related Party Transaction Review Committee

The Bank constituted Board Related Party Transaction Review Committee in order to assist the Board to review all related party transactions performed by the Bank. The committee monitors Bank's compliance with the Colombo Stock Exchange listing rules which ensure interest of the shareholders when entering into the related party transactions. The Committee independently reviews all related party transactions and provides observations to the Board of Directors if deem necessary.

Board Strategic Planning Committee

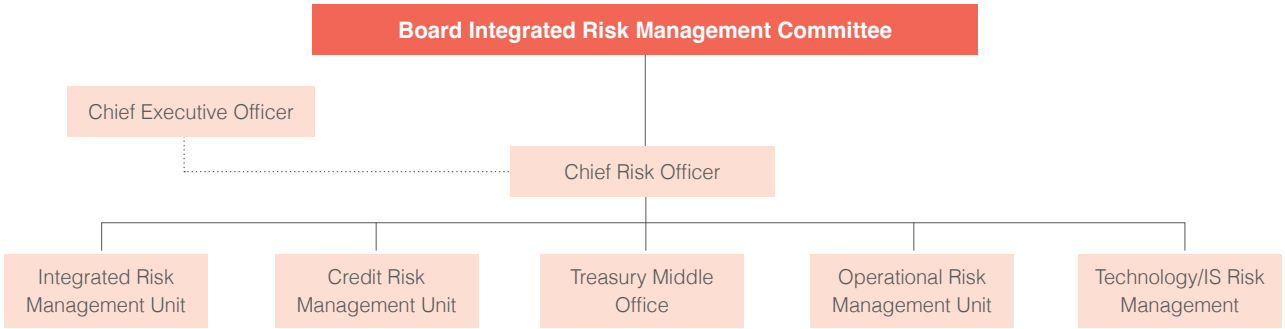
The Board Strategic Planning Committee is formed to ensure that sufficient attention is devoted to the strategic planning process at the Board level. The Committee discharges it's main responsibilities by approving the periodic strategic plan and significant amendments to the existing strategic plan and recommending to the Board, ensuring that the annual budget is prepared to accomplish the goals and objectives of the strategic plan and recommending the same to the Board, reviewing the actual performance against the strategic plan as well as the annual budget, reviewing the appropriateness of current vision, mission and strategic positioning of the Bank, approving all strategic investment decisions such as mergers and acquisitions and recommending the same to the Board, reviewing the adequacy and composition of the Bank's capital structure in the context of the growth targets.

Board Recoveries Committee

The Board Recoveries Committee is formed to inculcate top to bottom approach in minimising Non-Performing Advances (NPAs) and maximising the profitability of the Bank since recoveries indicate a paramount important for the overall performance of the bank. The Committee was formed for the purpose of ensuring sound recovery function while minimising potential non-performing advances to achieve sustainable growth and stability over the period of time. The main duties of the committee include establishing appropriate recovery strategies for NPAs and delinquent credit of the Bank, review performances against recovery targets that are agreed with respective Area Mangers and department/product heads of the Bank and take necessary actions to upgrade the recovery process of the Bank.

Risk Management Function

Risk Management function which is independent of the business units, performs the role of implementing risk management policies and procedures. Risk Management Department headed by the Chief Risk Officer who is responsible and accountable for controlling of risks, compliance of risk policies and procedures of the Bank. The structure of the risk management unit is as follows;



Each unit monitors the impact on separate risks as specified. These units function independent of business units and submits its observations to the Chief Risk Officer. Reports are generated daily, weekly, monthly and quarterly basis as per the requirements and breaches, if any, are notified for relevant action. Exceptions are also reported to the Board Integrated Risk Management Committee with relevant actions to be taken to address them.

Risk Measurement and Reporting Systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The Compliance function is also an independent function which performs the role of safeguarding the Bank against regulatory and reputational risks. It does this through appropriate polices and procedures for compliance with all applicable laws and regulations and embedding them into the internal control system. The policies set out the procedures for safeguarding the Bank from being sanctioned or fined for regulatory non-compliances. The Bank's Compliance Department also conducts training to familiarise staff with their compliance obligations.

The Bank's risks are recorded according to the breaches that have taken place, expected/predicted losses and unexpected cases which may arise in future. The estimated figures of cases are appropriately monitored for prevention and mitigations. These events are mainly taken into account according to the internal risk management process established by the Bank. Monitoring of risks is done on predetermined limits as per policies. Management Information System reports are generated to the Corporate and Senior Management based on these risks indicators. Certain industries are specially highlighted for close monitoring. The overall aggregate impact is then computed to oversee the full impact on the Bank's financial position.

These indicators are aggregated and recorded as per reporting criteria of the Risk Committees. The reports are submitted based on their daily, weekly and monthly monitoring to the Board/Management committees to measure the risk exposure across all types of risks and activities. This contains the distribution and the vulnerable areas of risks to be vigilant about and which also need extra attention. These reports will indicate aggregate credit exposure, credit metric forecasts, hold limit exceptions, as well as liquidity ratios. Further elaborations will be done on industry, concentration, customer and geographic risk etc. Early warnings will be indicated to the business units for precautionary action and same is monitored closely for adherence. Delegated Authority limits have been assigned to suitable officers in the credit chain to control exposure to risks. Those outwit such limits are monitored and appropriate disciplinary actions are taken against them if deemed necessary.

Responding to Challenges of Ditwah (Cyclone) Effect

Pan Asia Bank PLC has taken proactive and prudent measures to assess and mitigate the financial and operational risks arising from the impact of the Ditwah cyclone. Based on field-level evaluations conducted by Area Managers and Credit Officers, the immediate impact on the Bank's lending portfolio has been assessed as very minimal. Nevertheless, given the potential for both direct and indirect economic stress on borrowers, the Bank has implemented structured response measures to ensure portfolio resilience and continued customer support.

Given the broader economic uncertainties linked to the cyclone's indirect effects, the Bank has adopted a prudent approach within the Expected Credit Loss (ECL) framework:

A management overlay has been introduced under the Economic Factor Adjustment (EFA) to capture potential macro-level risks that may not yet be observable within borrower-level financials.

This ensures the Bank's impairment models remain forward-looking and sufficiently conservative in light of emerging external risks.

In response to these challenges, the Bank has adopted the following risk mitigation strategies:

- For businesses directly affected, individual impairment assessments have been conducted.
- Provisions have been recognised case by case based on revised cashflow expectations, updated collateral positions, and borrower-specific recovery prospects.
- This approach ensures fairness to customers while maintaining the integrity of the Bank's credit risk management process.

While the immediate impact of the Ditwah cyclone is minimal from a credit risk standpoint, Pan Asia Bank PLC has adopted a proactive, customer-centric, and prudentially sound approach to risk management. Continuous monitoring mechanisms remain in place.

49.2 Credit Risk

Credit risk refers to the risk that the Bank may incur a loss if its customers or counterparties fail to fulfil their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, as well as for geographical and industry concentrations, and by monitoring exposures in relation to these limits.

Credit risk is monitored by the Credit Risk Department, which functions as one of the Bank's independent risk control units. The department is responsible for reviewing and managing credit risk, including environmental and social risks, for all types of counterparties.

The Bank has established a credit quality review process to enable early identification of potential changes in the creditworthiness of counterparties. This process includes regular collateral reviews, with counterparty limits set following a detailed assessment. Risk ratings are also subject to regular revisions. The credit quality review process is designed to help the Bank assess potential losses arising from credit risks and take corrective actions as needed.

Management of Credit Risk

The primary objective of credit risk management is to enable the Bank to achieve an appropriate risk-versus-reward performance while maintaining credit risk exposure within approved risk limits. The Bank has a well-defined credit policy, approved by the Board of Directors, that outlines the credit culture of the Bank, specifying target markets for lending and areas to avoid. The policy is implemented through the credit process, which is guided by clear guidelines and procedures.

The Bank's credit risk management process broadly encompasses the following:

a) Loan origination and risk appraisal
   This stage involves initial screening and credit appraisal, focusing on borrowers' ability to meet their commitments in a timely manner. The internal risk rating is a critical part of the customer risk assessment and is incorporated into the credit decision process. This alphabetical rating reflects borrowers' repayment ability, financial condition, industry/business outlook, and management quality. Additionally, a numerical rating is assigned to customers as a security indicator based on the Bank's approved policy on security. The Bank minimises risk by granting credit facilities to high-rated customers.

b) Loan approval and sanction of credit facilities
   Clear guidelines and policies are in place for loan approvals and renewals, which are subject to delegated credit approval authorities.

c) Credit administration and disbursement
   The Credit Administration Unit, an independent unit, handles credit administration and disbursement to ensure a clear segregation of duties from business units. This unit ensures that credit origination and disbursement occur only after stipulated conditions have been met and all relevant security documents are obtained.

d) Post-disbursement credit monitoring

e) Credit measurement and monitoring
The Credit Risk Management Unit tracks early warning signals indicating the deterioration of borrowers' financial health. Customers requiring special attention are identified, and their financial behaviour is reviewed at the Credit Risk Management Committee and Board Credit Committee levels.

f) Non-performing (stage 3) advances
The Recoveries Department manages non-performing advances. This department is responsible for all aspects of non-performing credit, including credit restructuring, monitoring collateral value and liquidation, scrutinising legal documents, and liaising with customers until all legal recovery matters are finalised. It works in close coordination with the Credit Risk and Credit Administration Units for follow-up actions.

The Bank's credit risk management process is outlined in credit policies approved by the Board of Directors. These policies establish the conditions and guidelines for the granting, maintenance, monitoring, and management of credit at both individual transaction and portfolio levels. The policies are documented, well-defined, consistent with prudent practices and regulatory requirements, and appropriate for the nature and complexity of the Bank's activities. Limits are prescribed for the Bank's exposure to any single borrower, group of specific borrowers, or specific industries/sectors to avoid concentration of credit risk.

A well-structured loan review mechanism is in place, and a comprehensive review is conducted at least annually. For individually significant loans, customers requiring special attention are identified, and more frequent updates are carried out for "Watch List" exposures.

The Bank uses collateral as a means of mitigating credit risk. The requirements for collateral are set forth in the Bank's credit policies and procedures. Collateral is independently evaluated by professional valuers approved by the Head Office Credit Committee and the Board Credit Committee.

49.2.1 Credit Related Commitments Risks

The Bank provides its customers with guarantees that may require it to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and financial guarantees commit the Bank to make payments on behalf of customers in the event of a specified act, typically related to the import or export of goods. These commitments expose the Bank to risks similar to those associated with loans and are mitigated through the same control processes and policies.

49.2.2 Impairment Assessment

For accounting purposes, the Bank uses an Expected Credit Loss (ECL) model to recognise impairment losses on financial assets. At the end of each reporting period, the Bank assesses whether the credit risk of financial instruments has increased significantly since their initial recognition by evaluating the change in the risk of default occurring over the remaining life of the financial instruments.

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of material accounting policy information.

- The Bank's definition and assessment of 'Default' and 'Cure' (Note 49.2.2.1).
- An explanation of the Bank's Probability of Default estimating process (Note 49.2.2.2).
- How the Bank defines, calculates and monitors the Probability of Default, Exposure at Default and Loss Given Default (Notes 49.2.2.2, 49.2.2.3 and 49.2.2.4 respectively).
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 49.2.2.5).
- The Calculation of ECLs for Individually Significant Loans (Note 49.2.2.6).
- The Grouping of Financial Assets Measured on a Collective Basis (Note 49.2.2.7).
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note 2.8.6.2).
- The Movements between Stages (Note 49.2.2.8).

49.2.2.1 Definition of 'Default' and 'Cure'

The Bank considers a financial instrument as 'Defaulted' and therefore classified as Stage 3 (credit-impaired) for ECL calculations in all cases where the borrower becomes 90 days-past-due on its contractual payments, in accordance with SLFRS 9 and relevant regulatory guidelines and directions. In addition to above, the Bank considers all 'Non-Performing Credit Facilities' and 'Rescheduled Credit Facilities,' as defined in the Banking Act Direction No. 13 of 2021 on Classification, Recognition, and Measurement of Credit Facilities in Licensed Banks, as Stage 3 credit facilities. The Bank considers interbank balances as 'Defaulted' and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate an unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and, therefore, assessed as Stage 3 for ECL calculations, or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default.
- The borrower requesting emergency funding from the Bank.
- The borrower having past due liabilities to public creditors or employees.
- The borrower is deceased.
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral.
- A material decrease in the borrower's turnover or the loss of a major customer.
- A covenant breach not waived by the Bank.
- The debtor filing for bankruptcy application/protection.
- Debtor's listed debt or equity suspended/delisted at the primary stock exchange, etc.

It is the Bank's policy to consider a financial instrument as 'Cured' and therefore reclassified out of Stage 3 when none of the default criteria have been present as at the reporting date. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Bank's criteria for cure for ECL purposes is less stringent than requirement for forbearance, which is explained in Note 49.2.2.8 and 2.8.10.

49.2.2.2 Probability of Default (PD)

The Bank estimates the Probability of Defaults (PDs) based on the basis of historical information. The Bank's PDs are calculated on the basis of Days-Past-Due (DPD) using 'Risk Migration Matrix Method'.

As at 31st December 2025	Stage 1 %	Stage 2 %	Stage 3 %
Loans and Advances			
Term Loans	0.36 - 22.55	12.07 - 80.29	100.00
Overdrafts	1.77 - 7.12	13.38 - 22.88	100.00
Trade Finance	0.35 - 2.55	2.82 - 5.14	100.00
Lease Rentals Receivable	2.20 - 2.85	5.41 - 7.86	100.00
Pawning and Gold Loans	0.16 - 6.87	0.72 - 9.55	100.00
Credit Cards	1.91 - 27.77	15.80 - 40.53	100.00
Others	0.99	-	100.00

As at 31st December 2024	Stage 1 %	Stage 2 %	Stage 3 %
Loans and Advances			
Term Loans	0.35 - 20.75	12.98 - 69.73	100.00
Overdrafts	2.27 - 7.34	14.52 - 22.37	100.00
Trade Finance	0.49 - 2.72	3.83 - 8.59	100.00
Lease Rentals Receivable	2.41 - 2.70	4.71 - 9.35	100.00
Pawning and Gold Loans	0.16 - 6.73	0.65 - 8.33	100.00
Credit Cards	2.33 - 26.50	16.37 - 39.58	100.00
Others	1.14	3.70	100.00

49.2.2.3 Exposure at Default (EAD)

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential for early repayments too. EAD for credit cards and other revolving facilities is set out in Note 2.8.6.4.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within next 12 months from the reporting date for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default within next 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the EAD is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to multiple scenarios.

49.2.2.4 Loss Given Default (LGD)

The LGD is an estimate of the loss arising in the case where default occurs at a given time. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank computes LGDs for loans and advances for each credit portfolio having homogeneous risk characteristics.

The Bank segments its lending portfolio into smaller homogeneous portfolios based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transactions as well as borrower characteristics.

49.2.2.5 Significant Increase in Credit Risk (SICR)

The Bank continuously monitors all financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since its initial recognition. The Bank considers an exposure to have significantly increased in credit risk in accordance with the qualitative criteria assessment on SICR for an asset. In certain cases, the Bank may also consider the events mentioned below as a SICR as opposed to default. Regardless of changes in credit grades, if contractual payments are more than 30 days-past-due, the credit risk is deemed to have increased significantly since initial recognition.

Qualitative criteria used for SICR assessment are given below;

- Contractual payments of a borrower are more than 30 days-past-due.
- Credit rating of a borrower has been subsequently downgraded to B+ below under the Sri Lankan National Rating Scale by an External Credit Assessment Institution (ECAI).
- A two-notch downgrade of a borrower under the Bank's internal credit rating scale.
- Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a borrower/group.
- A significant change in the geographical location or natural catastrophe that directly impacts the performance of a borrower/group.
- The value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- The borrower is subject to litigation that significantly affects the performance of the credit facility.
- Frequent changes in the Board of Directors or Senior Management of an institutional customer.
- Delay in commencement of business operations/projects for more than two years from the originally agreed date.
- The borrower is deceased or insolvent.
- The Bank is unable to find or contact the borrower.
- A fall of 50% or more in the turnover and/or profit before tax compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (Other than due to changes in equity structure and dividend policy) compared to the previous financial year.
- Restructure or Reschedulements of credit facilities (Modification of terms and conditions as a result of a significant deterioration of credit quality or following a default).
- Availability of any other factor that suggest the borrower will not be able to service the loan as agreed or credit risk of the borrower has been increased significantly.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 49.2.2.7), the Bank applies the same principles for assessing whether there has been a SICR since initial recognition.

49.2.2.6 Calculation of ECLs for Individually Significant Loans

The loans and advances that are considered to be individually significant are subject to individual credit review and impairment assessment. The determination of whether an exposure is considered as individually significant is based on internal credit risk parameters including the size of the exposure, characteristics of the borrower and other relevant risk factors.

The Bank first assesses ECLs for individually significant borrowers. In the event of such an exposure is determined not to be impaired, then moves into a group of portfolios having homogeneous risk characteristics and collectively assesses for impairment. The criteria used to determine whether there is a SICR for individually significant customers is discussed in Note 49.2.2.5.

If there is a SICR, the allowance for ECL is measured by discounting the expected future cash flows of the loan at its original effective interest rate and comparing the resultant present value with its carrying value. In determining the expected future cash flows, the Bank considers the base-case, the best-case and the worst-case scenarios considering various modes of settlements. Impairment on individually significant exposures are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

The following factors are considered when determining the ECLs for individually significant exposures.

- Aggregate exposure to the customer including any undrawn exposures.
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations.
- The amount and timing of expected receipts and recoveries.
- The extent of other creditors' commitments ranking ahead of, or pari passu with the Bank and the likelihood of other creditors continuing to support the company.
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident.
- The realisable value of collateral and likelihood of successful repossession.
- The likely deduction of any costs involved in recovery of outstanding amounts.
- The ability of the borrower to obtain and make payments in the currency of the loan, if not denominated in local currency.
- The likely dividend available on liquidation or bankruptcy.

During the year, the Bank reviewed and revised certain internal criteria used for identifying individually significant credit exposures under the individual impairment process, as part of the on-going enhancement of its credit risk management framework. The management has assessed that this revision does not represent a change in accounting policy and did not have a material impact on the Bank's Financial Statements.

49.2.2.7 Grouping of Financial Assets Measured on a Collective Basis

As explained in Note 2.8.6.1, the Bank calculates ECL's either on a collective or an individual basis.

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. The Bank generally bases its analyses on historical experience. However, when there are significant market developments, the Bank would include macro-economic factors into its assessments. These factors include GDP growth rate, unemployment rate, inflation rate, interest rates, exchange rates government policies, laws and regulations, changes in climatic risks and other relevant data. The Bank may use aforementioned factors, as appropriate, to adjust the impairment allowances. Allowances are evaluated separately at each reporting date for each portfolio.

The Bank groups exposures into smaller homogeneous portfolios based on the internal and external characteristics of the loans and advances as described below;

- Product Type
- Business Segment Type
- Industry Type
- Collateral Type
- Exposure Value Type

49.2.2.8 Movements between Stages

Financial assets (other than POCI) are transferred between different stages depending on the degree of change in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to have 'significantly increased' since initial recognition, based on the assessment described above. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment, as described above.

Further, facilities restructured (up to two times) are considered as cured upon a satisfactory performing period of 90 days subsequent to the first capital and/or interest instalment of the post-restructure is in place after an independent review by the Credit Risk Management Unit. Credit facilities restructured for more than two times and rescheduled credit facilities are considered as cured upon satisfactory performing period of a minimum 180 days subsequent to the first capital and/or interest instalment of the post-restructure/post-reschedulement after an independent review by the Credit Risk Management Unit.

49.2.3 Analysis of ECL Model under Multiple Economic Scenarios

Probability Weightings

Probability weighting of each scenario is determined by the management considering the risks and uncertainties surrounding the base-case economic scenario. The key consideration for the probability weightings in the current year is the impact stemming from climate-related changes/risks following the 'Ditwah' cyclone and related floods and landslides on the local economy which has been exhibiting positive signs of gradual economic recovery and a measure of stability in macro-economic factors compared to the previous year.

Based on the above grounds, the management has decided not to change the weightages assigned for multiple economic scenarios compared to last year.

The table below indicates the weightings applied by the Bank.

	2025	2024
Base Case	25%	25%
Upside	10%	10%
Downside	65%	65%

49.2.4 Sensitivity Analysis on ECL Allowances

49.2.4.1 Sensitivity of Factors Used to Determine ECL Allowances

Management judgement is involved in determining the allowance for ECL for loans and advances. Key variables such as PD, LGD, EFA and property foreclosure period for individually significant loans are affected by management judgment and changes in any such variables can result in different levels of ECL allowance. The following tables demonstrate the sensitivity of the ECL allowance of the Bank to the changes in the above variables, as at 31st December 2025 and 31st December 2024.

As at 31st December	2025				
	Sensitivity Effect on the Statement of Financial Position [Increase/(Decrease) in Impairment Provision]				Sensitivity Effect on Statement of Profit or Loss [Increase/ (Decrease) in Operating Profit Before Tax]
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Rs 000
Probability of Default (PD)					
Increase existing PD by 1% across all age buckets	586,307	34,795	-	621,103	(621,103)
Decrease existing PD by 1% across all age buckets*	(480,136)	(34,795)	-	(514,930)	514,930
Loss Given Default (LGD)					
1% increase	32,580	15,482	54,676	102,737	(102,737)
1% decrease*	(32,580)	(15,482)	(54,676)	(102,737)	102,737
Economic Factor Adjustment (EFA)					
Worst case 10% increase, with a decrease of 5% each in best & base cases	11,458	5,451	-	16,910	(16,910)
Worst case 10% decrease, with an increase of 5% each in best & base cases	(11,458)	(5,488)	-	(16,947)	16,947
Property foreclosure period for individually significant impaired customers					
Increase by one Year	-	-	209,816	209,816	(209,816)
Decrease by one Year**	-	-	(219,571)	(219,571)	219,571

* The PD/LGD decrease is limited to 0%, if applicable.

** Foreclosure period is capped at one year, if applicable.

As at 31st December	2024				
	Sensitivity Effect on the Statement of Financial Position [Increase/(Decrease) in Impairment Provision]				Sensitivity Effect on the Statement of Profit or Loss [Increase/(Decrease) in Operating Profit Before Tax]
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Rs 000
Probability of Default (PD)					
Increase existing PD by 1% across all age buckets	384,701	29,318	-	414,020	(414,020)
Decrease existing PD by 1% across all age buckets*	(308,910)	(29,318)	-	(338,228)	338,228
Loss Given Default (LGD)					
1% increase	23,283	16,096	66,005	105,384	(105,384)
1% decrease*	(23,283)	(16,096)	(66,005)	(105,384)	105,384
Economic Factor Adjustment (EFA)					
Worst case 10% increase, with a decrease of 5% each in best & base cases	7,595	4,652	-	12,246	(12,246)
Worst case 10% decrease, with an increase of 5% each in best & base cases	(7,595)	(4,672)	-	(12,267)	12,267
Property foreclosure period for individually significant impaired customers					
Increase by one Year	-	6,589	364,317	370,906	(370,906)
Decrease by one Year**	-	(744)	(363,328)	(364,072)	364,072

* The PD/LGD decrease is limited to 0%, if applicable.

** Foreclosure period is capped at one year, if applicable.

49.2.4.2 Sensitivity of Impact of Staging of Loans and Advances on Collective Impairment

If all loans and advances currently in Stage 2, were moved to Stage 1, the ECL allowance of the Bank as at 31st December 2025 would have reduced by approximately 8% (2024 - 7%). The total loans and advances in Stage 2 as at 31st December 2025 amounts to Rs.10.58 Bn.

If all loans and advances currently in Stage 1, were moved to Stage 2, the ECL allowance of the Bank as at 31st December 2025 would have further increased by approximately 208% (2024 - 132%). The total loans and advances in Stage 1 as at 31st December 2025 amounts to Rs.195.79 Bn. The management believes that a movement of the entire Stage 1 loan portfolio to Stage 2 is highly unlikely.

The increase/(decrease) in ECL allowance has been calculated excluding the allowance for management overlays and post-model adjustments recognised as at the reporting date.

49.2.5 Analysis of Maximum Exposure to Credit Risk and Collateral and Other Credit Enhancements

The accounting policies related to collateral valuation and collateral repossessed are disclosed in Notes 2.8.7 and 2.8.8 to the Financial Statements.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The Bank obtains cash, gold, securities, properties, guarantees and other movable and immovable assets as collateral against lending. An approved list of acceptable securities and the applicable percentage of cash securities are defined in the credit policy of the Bank. These collateral are evaluated independently by professional valuers. The management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreements.

The cyclone 'Ditwah' and related floods and landslides results in a deterioration in the value of underlying collateral pledged in affected geographical locations, particularly in the highland districts of Kandy, Badulla, Nuwara Eliya and surrounding areas. Discounted property values were used and fresh valuation reports were called for, by the Bank on a prudential basis, when assessing the fair value of properties held as collateral in affected areas. Other than that, there are no significant changes in the quality of the collateral or other credit enhancements as a result of deterioration or changes in the collateral policies of the Bank during the year (2024 - Nil).

It is the Bank's policy to dispose off repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

49.2.6 Maximum Exposure to Credit risk

As at 31st December 2025	Maximum Exposure to Credit Risk	Government Securities	Cash Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collateral	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets										
Cash and Cash Equivalents (Note 20)	5,275,025	-	-	-	-	-	-	-	-	5,275,025
Balances with Central Bank of Sri Lanka	11,847,843	-	-	-	-	-	-	-	-	11,847,843
Placements with Banks (Note 22)	1,050,231	-	-	-	-	-	-	-	-	1,050,231
Reverse Repurchase Agreements	2,531,544	2,531,544	-	-	-	-	-	-	2,531,544	-
Derivative Financial Instruments	158,553	-	-	-	-	-	-	-	-	158,553
Financial Assets at FVPL	2,577,568	-	-	-	-	-	-	-	-	2,577,568
Loans and Advances - at Amortised Cost (Note 26)	217,123,936	-	25,493,257	31,630,968	18,216,740	55,284,363	21,155,350	29,773,226	181,553,904	35,570,032
Debt and Other Instruments - at Amortised Cost (Note 27)	55,126,764	-	-	-	-	-	-	-	-	55,126,764
Financial Assets - at FVOCI	14,336,711	-	-	-	-	-	-	-	-	14,336,711
	310,028,175	2,531,544	25,493,257	31,630,968	18,216,740	55,284,363	21,155,350	29,773,226	184,085,448	125,942,727
Other Credit Exposures										
Financial Guarantees (Note 53.1)	5,665,145	-	877,600	-	-	-	-	-	877,600	4,787,545
Documentary Credit (Note 53.1)	5,824,827	-	1,205,253	-	-	-	-	-	1,205,253	4,619,574
Undrawn Credit Commitments* (Note 53.1)	15,294,928	-	-	-	-	-	-	-	-	15,294,928
	26,784,900	-	2,082,853	-	-	-	-	-	2,082,853	24,702,047
	336,813,075	2,531,544	27,576,110	31,630,968	18,216,740	55,284,363	21,155,350	29,773,226	186,168,301	150,644,774

As at 31st December 2024	Maximum Exposure to Credit Risk	Government Securities	Cash Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collateral	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets										
Cash and Cash Equivalents (Note 20)	3,414,202	-	-	-	-	-	-	-	-	3,414,202
Balances with Central Bank of Sri Lanka	5,499,181	-	-	-	-	-	-	-	-	5,499,181
Reverse Repurchase Agreements	1,001,140	1,001,140	-	-	-	-	-	-	1,001,140	-
Derivative Financial Instruments	79,869	-	-	-	-	-	-	-	-	79,869
Financial Assets at FVPL	13,107,697	-	-	-	-	-	-	-	-	13,107,697
Loans and Advances - at Amortised Cost (Note 26)	160,885,702	-	15,489,447	18,759,491	11,763,582	50,783,339	14,739,176	28,306,523	139,841,558	21,044,144
Debt and Other Instruments - at Amortised Cost (Note 27)	63,430,899	-	-	-	-	-	-	-	-	63,430,899
Financial Assets - at FVOCI	19,347,634	-	-	-	-	-	-	-	-	19,347,634
	266,766,324	1,001,140	15,489,447	18,759,491	11,763,582	50,783,339	14,739,176	28,306,523	140,842,698	125,923,626
Other Credit Exposures										
Financial Guarantees (Note 53.1)	5,140,218	-	789,912	-	-	-	-	-	789,912	4,350,306
Documentary Credit (Note 53.1)	2,459,343	-	16,536	-	-	-	-	-	16,536	2,442,807
Undrawn Credit Commitments* (Note 53.1)	13,192,104	-	-	-	-	-	-	-	-	13,192,104
	20,791,665	-	806,448	-	-	-	-	-	806,448	19,985,217
	287,557,989	1,001,140	16,295,895	18,759,491	11,763,582	50,783,339	14,739,176	28,306,523	141,432,289	145,908,844

*Credit risk mitigants relating to undrawn credit commitments are netted-off against utilised portion of respective credit facilities.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

The Bank has not recognised an ECL allowance for the following financial assets and other credit exposures due to availability of collateral.

As at 31st December	2025 Rs 000	2024 Rs 000
Reverse Repurchase Agreements	2,531,544	1,001,140
Fully Cash Backed;		
Loans and Advances	20,344,795	13,159,529
Financial Guarantees	542,271	589,591
Documentary Credit	604,198	-
	24,022,808	14,750,260

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

49.2.6.1 Maximum Exposure to Credit-Impaired (Stage 3) Loans and Advances

As at 31st December 2025	Maximum Exposure to Credit Risk	Cash Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collaterals	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit-Impaired (Stage 3) Loans and Advances (Note 26)	10,752,844	12,947	2,999,973	380,391	782,717	36,361	4,960,055	9,172,445	1,580,399
	10,752,844	12,947	2,999,973	380,391	782,717	36,361	4,960,055	9,172,445	1,580,399

As at 31st December 2024	Maximum Exposure to Credit Risk	Cash and Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collaterals	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit-Impaired (Stage 3) Loans and Advances (Note 26)	13,488,910	57,296	2,002,721	444,557	703,449	34,639	7,336,690	10,579,352	2,909,558
	13,488,910	57,296	2,002,721	444,557	703,449	34,639	7,336,690	10,579,352	2,909,558

49.2.7 Modified Financial Assets and Forborne Loans

Accounting policies related to modified financial assets and forborne loans and derecognition of financial assets due to modifications are disclosed in Notes 2.8.10 and 2.8.5 respectively.

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine whether the changes to the terms of the existing financial asset are considered substantial.

This assessment considers both the changes to cash flows arising from the modified terms and the changes in risk profile of the overall instrument. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine any SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine any SICR for the new asset.

49.2.7.1 Modifications Relating to Recent Cyclonic and Flood Disasters

In line with the Central Bank of Sri Lanka Circular No. 04 of 2025, the Bank extended various relief measures to affected individuals and businesses by the cyclone 'Ditwah' and related floods and landslides, including loan repayment deferrals (debt moratoriums), restructuring and reschedulement options, subject to eligibility criteria.

These relief measures were considered to be continuations of the existing loan contracts and were therefore accounted for as 'non-substantial loan modifications'. No significant modification losses were recognised in the interest income relating to aforementioned relief measures during the year (2024 – Nil). Interest income for the payment deferral period has been charged in accordance with the relevant regulatory directives and the terms of these modified credit facilities have been endorsed by the relevant borrowers.

Loans and advances with a gross carrying value of Rs. 270 Mn were subject to recent cyclonic and flood disasters related relief measures and were classified either under Stage 2 or Stage 3 as of 31st December 2025 and were subject to life-time expected credit losses (2024 – Nil).

49.2.7.2 Forborne Loans

From a risk management point of view, once an asset is forborne, the Bank's Recoveries Department and Credit Risk Management Unit continue to monitor the exposure until it is completely derecognised.

The table below shows the details of the forborne loans with the related modification losses suffered by the Bank during the years 2025 and 2024.

	2025 Rs 000	2024 Rs 000
Amortised Cost of Forborne Loans and Advances (Modified During the Year)	1,581,355	1,921,186
Net Modification Loss	8,347	27,464

49.2.8 Management Overlays and Post Model Adjustments

The management overlays reflect the additional impairment provisions recognised by considering the risks of climate related changes including the impact of cyclone 'Ditwah' and related floods and landslides and by considering the product wise risk characteristics of the loan portfolio, since the standard impairment model was not generating the expected outcome. Considerations included the potential severity and the heightened credit risk of specific borrower groups, sectors, segments and loan products.

Taking into consideration the heightened credit risk due to climate related changes as it negatively affects the borrowers' ability to repay the loans and results in a deterioration in the value of underlying collateral pledged, the Bank refined its impairment models to suit with the current market and economic conditions. Therefore, the impairment provisions recognised as management overlays were further increased during the year as disclosed in Note 2.5.1.2.

The management overlays and post model adjustments are approximately 8% of the total ECL provision for loans & advances as at 31st December 2025 (2024 - 7%).

Analysis of ECL model under multiple economic scenarios and sensitivity analysis on ECL allowances are provided in Notes 49.2.3 & 49.2.4 respectively.

49.2.9 Credit Quality by Class of Financial Assets

The Bank manages the credit quality of financial assets by using Days-Past-Due (DPD) and results of the internal risk assessments.

49.2.9.1 Credit Risk Exposure by Internal Borrower Risk Rating (IBRR)

The Bank has developed Borrower Risk Rating Models internally for borrowers in the Corporate and SME segments and also part of the Retail segment. Retail borrowers who enjoy schematised retail facilities are not rated using this model. The existing borrowers with revolving facilities in the stated segments also been rated using this model at the time of carrying out annual reviews. The borrowers who enjoy facilities against cash deposits are tagged as 'Fully Cash Backed (FCB).' When a facility of a customer classified as Stage 3, the borrower will be considered under the 'Default' category, irrespective of the existing Borrower Risk Rating (BRR) scale for the customer.

The capital outstanding of clients who have been rated using the Bank's IBRR models are as follows.

Internal Borrower Risk Rating Scale	Risk Profile	2025 Rs 000	2024 Rs 000
AAA	Minimum Risk	294,801	3,322,900
AA	Marginal Risk	6,364,620	6,655,140
A	Modest Risk	37,000,991	19,875,180
BBB	Average Risk	34,671,074	19,661,840
BB	Marginally Acceptable Risk	9,480,326	5,509,950
B	High Risk	3,430,290	1,024,190
C	Caution	450,748	489,520
D	Default	97,124	99,510
FCB	Fully Cash Backed	18,562,215	10,944,920
		110,352,189	67,583,150

49.2.10 Analysis of Risk Concentration

49.2.10.1 Concentration by Client/Counterparty

The Bank's concentrations of risk are managed by client/counterparty, by industry sector and by geographical region. The maximum credit exposure to any customer or a group counterparty as of 31st December 2025 was Rs. 5,676,964 (000') (2024 : Rs. 4,759,354 (000')), before taking account of collateral.

49.2.10.2 Concentration by Industry Sector

As at 31st December 2025	Government & State Owned Entities	Agriculture, Forestry and Fishing	Manufacturing	Tourism	Transportation and Storage	Construction and Housing	Wholesale and Retail Sale	Financial Services	Infrastructure Development	Other Services*	Consumption	Lending to Overseas Entities	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and Cash Equivalents (Note 20)	3,464,686	-	-	-	-	-	-	1,810,339	-	-	-	-	5,275,025
Balances with Central Bank of Sri Lanka	11,847,843	-	-	-	-	-	-	-	-	-	-	-	11,847,843
Placements with Banks (Note 22)	-	-	-	-	-	-	-	1,050,231	-	-	-	-	1,050,231
Reverse Repurchase Agreements	-	-	-	-	-	-	-	2,531,544	-	-	-	-	2,531,544
Derivative Financial Instruments	-	-	-	-	-	-	-	158,553	-	-	-	-	158,553
Financial Assets at FVPL	2,577,568	-	-	-	-	-	-	-	-	-	-	-	2,577,568
Loans and Advances - at Amortised Cost (Note 26)	9,733,949	26,123,259	25,016,497	4,390,922	1,307,613	50,268,263	20,721,097	14,359,674	1,167,823	7,841,302	43,465,822	12,727,714	217,123,936
Debt and Other Instruments - at Amortised Cost (Note 27)	55,126,764	-	-	-	-	-	-	-	-	-	-	-	55,126,764
Financial Assets at FVOCI	14,332,959	-	-	-	-	-	-	3,752	-	-	-	-	14,336,711
	97,083,769	26,123,259	25,016,497	4,390,922	1,307,613	50,268,263	20,721,097	19,914,093	1,167,823	7,841,302	43,465,822	12,727,714	310,028,175

As at 31st December 2024	Government & State Owned Entities	Agriculture, Forestry and Fishing	Manufacturing	Tourism	Transportation and Storage	Construction and Housing	Wholesale and Retail Sale	Financial Services	Infrastructure Development	Other Services*	Consumption	Lending to Overseas Entities	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and Cash Equivalents (Note 20)	3,109,946	-	-	-	-	-	-	304,256	-	-	-		3,414,202
Balances with Central Bank of Sri Lanka	5,499,181	-	-	-	-	-	-	-	-	-	-		5,499,181
Reverse Repurchase Agreements	-	-	-	-	-	-	-	1,001,140	-	-	-		1,001,140
Derivative Financial Instruments	-	-	-	-	-	-	-	79,869	-	-	-		79,869
Financial Assets at FVPL	13,107,697	-	-	-	-	-	-	-	-	-	-		13,107,697
Loans and Advances - at Amortised Cost (Note 26)	1,688,178	23,240,125	19,393,150	4,921,937	1,173,735	43,177,929	17,304,431	7,729,138	1,818,155	3,920,871	32,856,248	3,661,805	160,885,702
Debt and Other Instruments - at Amortised Cost (Note 27)	63,430,899	-	-	-	-	-	-	-	-	-	-		63,430,899
Financial Assets at FVOCI	19,343,882	-	-	-	-	-	-	3,752	-	-	-		19,347,634
	106,179,783	23,240,125	19,393,150	4,921,937	1,173,735	43,177,929	17,304,431	9,118,155	1,818,155	3,920,871	32,856,248	3,661,805	266,766,324

*Other services include the loans & advances provided to businesses in Information Technology & Communication Services, Professional, Scientific & Technical Activities, Arts & Entertainment, Education, and Health Care & Social Services sectors.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

49.2.10.3 Concentration by Geography

49.2.10.3.1 The geographical concentration for loans and advances within Sri Lanka is given below.

As at 31st December	2025 Rs 000	2024 Rs 000
Central	22,297,561	17,551,054
Eastern	5,967,619	4,697,285
North Central	6,650,544	5,234,835
North Western	11,531,028	9,076,405
Northern	6,331,785	4,983,931
Sabaragamuwa	8,650,367	6,808,954
Southern	13,563,572	10,676,279
Uva	4,711,544	3,708,592
Western	124,692,201	94,486,562
Total (Note 49.6)	204,396,221	157,223,897

49.2.10.3.2 Significant Foreign Lending Exposures

Gross and net carrying values of significant foreign lending exposures are given below. All these loans have been considered as significant loans and analysed individually. When the Bank has identified any significant increase in credit risk since initial recognition, future cash flows have been estimated giving due consideration for specific industry, country risk factors etc. and availability of collateral.

	Africa		Asia		America		Total	
	2025 Rs 000	2024 Rs 000	2025 Rs 000	2024 Rs 000	2025 Rs 000	2024 Rs 000	2025 Rs 000	2024 Rs 000
Gross Carrying Value (Notes 49.6 & 49.2.10.2)	2,360,912	1,766,153	10,214,277	1,751,174	152,526	144,478	12,727,714	3,661,805
Allowance for ECL	3,059	45,600	23,826	435	-	-	26,884	46,035
Net Carrying Value	2,357,853	1,720,553	10,190,451	1,750,739	152,526	144,478	12,700,830	3,615,770

49.3 Liquidity Risk

Liquidity Risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Hence, the Bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

49.3.1 Management of Liquidity Risk

The Bank manages liquidity risk in accordance with regulatory guidelines and accepted best practices. The objective of the Bank's liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and that market access remains cost effective. The Bank's liquidity risk management framework is designed to identify, measure and manage the liquidity position in a timely manner. The Assets and Liabilities Committee (ALCO) is responsible for managing this risk through continuous monitoring of the set benchmarks and controlling risks by adopting appropriate strategies through advances, deposits and investment products. Contractual maturities of assets and liabilities, sensitivity of assets and liabilities, key liquidity ratios and monthly liquidity gaps are reviewed at ALCO meetings as measures to liquidity .The Bank maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flows.

The Bank's Liquidity Contingency Plan is a detailed action plan document approved by the Board of Directors of the Bank indicating possible warning indicators, monitoring mechanism and the process for escalation. The plan details the specific action steps and identifies key individuals responsible for the specific action tasks. To limit liquidity risk, the Bank has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. Intraday liquidity management is about managing the daily payments and cash flows. The Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment systems.

The contractual maturities of assets and liabilities of the Bank as at the reporting date are detailed in Note 52.

The policy of the Bank is to maintain adequate liquidity at all times, at all locations and for all currencies and hence to be in a position in the normal course of business, to meet obligations, repay depositors and fulfil commitments. As a part of liquidity management, the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's sound credit rating together with excellent market reputation has enabled the Bank to secure ample call lines with local and foreign Banks.

In addition, the Bank maintains a Statutory Deposit with the Central Bank of Sri Lanka equal to 2% of Rupee deposit liabilities. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The Bank closely monitors Liquidity Coverage Ratio and Net Stable Funding Ratio for liquidity management purposes. The liquidity ratios during the year were as follows:

Advances to Deposits Ratio (ADR)

	2025	2024
Average	92.06%	82.78%
Year-End	97.51%	86.19%

The Bank stresses the importance of maintaining an adequate deposit base as the key source of financing loans to customers. This is monitored using the Advances to Deposit Ratio (ADR), which compares Loans and Advances (capital) as a percentage of customers deposits (capital). Cheques and drafts purchased which are deemed to be liquid, are excluded from the advances to deposit ratio.

49.3.2 Liquidity Coverage Ratio (LCR)

The Bank ensures compliance with LCR requirement in accordance with Banking Act No 01 of 2024 on 'Statutory Liquidity Ratios of Licensed Banks'.

The Bank maintained sufficient High Quality Liquid Assets to meet minimum statutory requirement in both Sri Lankan Rupees and in all currencies throughout the years 2025 and 2024.

High Quality Liquidity Assets are categorised into two categories.

(a) Level 1 Assets: Include cash in hand, qualifying reserves with Central Bank of Sri Lanka and qualifying marketable securities that attract 0% risk weight under Basel III Capital Adequacy Framework.

(b) Level 2 Assets: Include Level 2A assets and Level 2B assets.

Level 2A Assets: Include qualifying marketable securities and qualifying non-financial corporate debt securities that attract a 20% risk weight under Basel III Capital Adequacy Framework and qualifying investments in gilt units trusts, subject to a 15% haircut.

Level 2B Assets: Include qualifying non-financial corporate debt securities with an external Credit Rating between A+ to BBB- and non-financial common equity shares, subject to a 50% haircut.

	2025	2024
Average		
- Rupee LCR	229.57%	342.98%
- All Currency LCR	224.95%	353.89%
Year-End (Minimum Requirement - 100%)		
- Rupee LCR	204.90%	264.10%
- All Currency LCR	154.97%	344.37%

Further details on the Bank's compliance with regulatory liquidity ratio requirements are given in Note 60.

49.3.3 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at the end of the reporting year. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

As at 31st December 2025	Up to 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	More than 5 Years Rs 000	Total Rs 000
Financial Assets					
Cash and Cash Equivalents	5,273,592	-	-	-	5,273,592
Balances with Central Bank of Sri Lanka	11,849,785	-	-	-	11,849,785
Placements with Banks	1,049,948				1,049,948
Reverse Repurchase Agreements	2,554,334	-	-	-	2,554,334
Derivative Financial Instruments	105,752	52,801	-	-	158,553
Financial Assets at FVPL	2,577,568	-	-	-	2,577,568
Loans and Advances - at Amortised Cost	45,019,604	43,158,230	122,431,601	60,756,263	271,365,698
Debt and Other Instruments - at Amortised Cost	6,073,344	12,678,514	40,163,382	12,595,411	71,510,651
Financial Assets at FVOCI	1,955,810	2,308,591	10,068,560	3,750	14,336,711
Total Undiscounted Financial Assets	76,459,737	58,198,136	172,663,543	73,355,424	380,676,840
Financial Liabilities					
Due to Banks	9,967,082	884,559	637,242	2,103,650	13,592,533
Repurchase Agreements	7,591,536	13,154,735	-	-	20,746,271
Derivative Financial Instruments	26,685	-	-	-	26,685
Due to Depositors - at Amortised Cost	100,460,313	71,998,688	76,088,838	2,360,700	250,908,539
Due to Debt Securities Holders - At Amortised Cost	422,572	1,230,844	4,294,781	-	5,948,197
Other Liabilities	1,854,421	2,043,421	1,049,625	332,139	5,279,606
Total Undiscounted Financial Liabilities	120,322,609	89,312,247	82,070,486	4,796,489	296,501,831
Net Undiscounted Financial Assets/ (Liabilities)	(43,862,872)	(31,114,111)	90,593,057	68,558,933	84,175,009

As at 31st December 2024	Up to 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	More than 5 Years Rs 000	Total Rs 000
Financial Assets					
Cash and Cash Equivalents	3,413,701	-	-	-	3,413,701
Balances with Central Bank of Sri Lanka	5,500,108	-	-	-	5,500,108
Reverse Repurchase Agreements	1,001,822	-	-	-	1,001,822
Derivative Financial Instruments	79,869	-	-	-	79,869
Financial Assets at FVPL	13,107,697	-	-	-	13,107,697
Loans and Advances - at Amortised Cost	51,343,435	32,183,423	74,973,369	44,155,357	202,655,584
Debt and Other Instruments - at Amortised Cost	11,485,436	34,838,039	44,988,150	11,316,501	102,628,126
Financial Assets at FVOCI	592,975	8,228,051	10,522,856	3,752	19,347,634
Total Undiscounted Financial Assets	86,525,043	75,249,513	130,484,375	55,475,610	347,734,542
Financial Liabilities					
Due to Banks	2,658,602	4,652,452	237,869	1,766,297	9,315,220
Repurchase Agreements	25,349,363	104,828	-	-	25,454,191
Derivative Financial Instruments	58,248	-	-	-	58,248
Due to Depositors - at Amortised Cost	86,086,319	62,112,219	47,820,416	2,165,472	198,184,426
Due to Debt Securities Holders - At Amortised Cost	1,614,284	-	-	-	1,614,284
Subordinated Debentures	57,872	876,928	-	-	934,800
Other Liabilities	140,284	273,615	797,238	442,244	1,653,381
Total Undiscounted Financial Liabilities	115,964,972	68,020,042	48,855,523	4,374,013	237,214,550
Net Undiscounted Financial Assets/ (Liabilities)	(29,439,929)	7,229,471	81,628,852	51,101,597	110,519,991

49.3.4 Contractual Maturities of Commitments and Contingencies

The table below shows the remaining contractual maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31st December 2025	Less than 3 Month Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Commitments and Contingencies					
Financial Guarantees	1,745,078	3,393,524	526,412	131	5,665,145
Documentary Credit	4,951,752	851,394	21,681	-	5,824,827
Currency Swaps	62,825,824	-	-	-	62,825,824
Forward Foreign Exchange Contracts	6,661,814	-	-	-	6,661,814
Spot Contracts	1,937,768	-	-	-	1,937,768
Undrawn Credit Commitments	15,294,928	-	-	-	15,294,928
Total (Note 53.1)	93,417,164	4,244,918	548,093	131	98,210,306

As at 31st December 2024	Less than 3 Month Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Commitments and Contingencies					
Financial Guarantees	1,349,884	2,903,988	886,215	131	5,140,218
Documentary Credit	1,378,619	1,066,058	14,666	-	2,459,343
Currency Swaps	34,454,665	-	-	-	34,454,665
Forward Foreign Exchange Contracts	1,756,249	-	-	-	1,756,249
Spot Contracts	51,931	-	-	-	51,931
Undrawn Credit Commitments	13,192,104	-	-	-	13,192,104
Total (Note 53.1)	52,183,452	3,970,046	900,881	131	57,054,510

49.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The Bank has placed a special emphasis on the effect of market risk on fixed income securities, investments and forex positions.

Management of Market Risk

The primary objective of market risk management is to ensure that the Bank optimises that the risk reward relationship and does not expose to unacceptable losses outside its risk appetite.

The Board Integrated Risk Management Committee reviews the risk goals set for market risk management on a quarterly basis and provides valuable input and direction. These goals are compared with results achieved and are subject to a comprehensive discussion for decision making for way forward. In particular, the limits imposed by the regulator and control measures adopted for compliance are carefully monitored.

The Assets and Liabilities Committee (ALCO), in keeping with its Terms of Reference (TOR) approved by the Board, decides on short term and long term strategies of the Bank for the overall management of Assets and Liabilities based on specific needs and prevailing market situation. ALCO reviews interest rate risk, liquidity risk, Bank interest rates with competitor rates etc.

The Board approved comprehensive policy documents on Market and Liquidity Risk management, Investments, and Stress Testing in place at Bank to mitigate the market risks. In addition, a policy document defining the responsibilities of each treasury units i.e. front, back and middle office is in place. The Strategies and policies are being continuously updated according to the evolving business requirements of the Bank as well as regulatory requirements. Treasury Middle Office functions as an independent unit reporting to Chief Risk Officer.

Treasury Middle Office of the Bank monitors the comprehensive framework of Treasury operating limits approved by the Board, including open position limits, dealer limits, counter party limits, gap limits, Foreign Currency Banking Unit and Domestic operation limits on a daily basis and takes prompt action when necessary. Separate risk goals are set for market risk management and on a quarterly basis and Board Integrated Risk Management Committee reviews these risk goals and provides valuable input and direction.

49.4.1 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. Interest rate risk results from the differences in the way interest rate changes affect the values of assets, liabilities, and off-balance sheet instruments.

Interest Rate Benchmark Reform

The Bank through ALCO, managed its transition to the alternative rate of 'Secured Overnight Financing Rate' (SOFR) from the use of LIBOR. The contracts which have fallen due since end 2021 are repriced at these alternative rates.

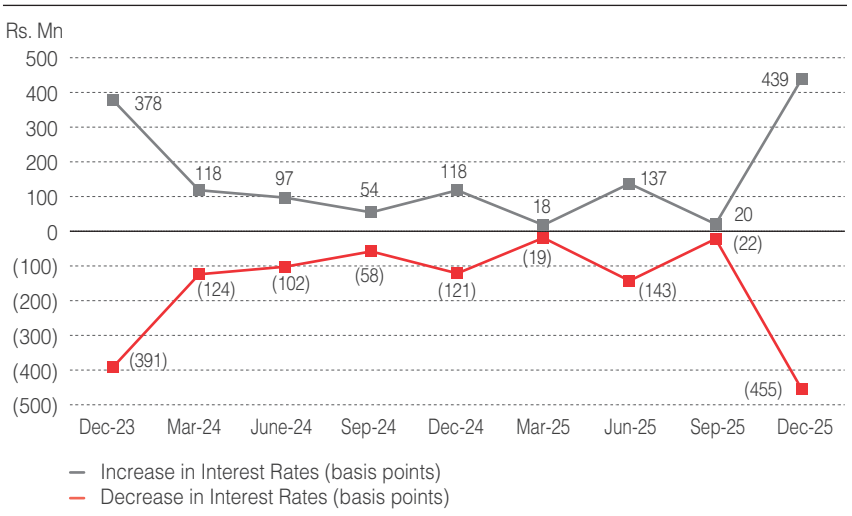
Interest Rate Sensitivity

The interest rate sensitivity of Banks portfolio depends on the characteristics of the financial instruments that make up the portfolio. The interest rate sensitivity of a financial instrument depends on maturity and repricing characteristics of the financial instruments.

The Bank presently prepares the sensitivity of assets and liabilities according to CBSL guideline for interest rate sensitive assets and liabilities in prescribed time bands which is presented to Bank's ALCO on a monthly basis. Gaps are identified between assets and liabilities and the same is used to prepare the Interest Rate Risk Report. The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

	2025	2024
Increase in Interest Rates (Basis Points)	200 bps	200 bps
Effect on Profit or Loss and Equity (Rs 000)	438,776	29,226
Decrease in Interest Rates (Basis Points)	(200 bps)	(200 bps)
Effect on Profit or Loss and Equity (Rs 000)	(454,949)	(28,481)

Impact on Statement of Profit or Loss due to Interest Rate Shocks



Interest Rate Sensitivity Analysis

The table below analyses the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's financial assets and liabilities are included at carrying amount and categorised by earlier of contractual re-pricing or maturity dates.

As at 31st December 2025	Interest Bearing				Non Interest Bearing	Total
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	5,273,592	5,273,592
Balances with Central Bank of Sri Lanka	9,751,942	-	-	-	2,095,901	11,847,843
Placements with Banks	1,049,717	-	-	-	-	1,049,717
Reverse Repurchase Agreements	2,531,544	-	-	-	-	2,531,544
Derivative Financial Instruments	-	-	-	-	158,553	158,553
Financial Assets at FVPL	2,577,568	-	-	-	-	2,577,568
Loans and Advances - at Amortised Cost	148,554,852	28,764,653	24,401,440	3,400,281	2,930,833	208,052,059
Debt and Other Instruments - at Amortised Cost	5,208,210	13,124,150	34,188,042	1,602,561	933,870	55,056,833
Financial Assets at FVOCI	1,807,450	2,202,208	10,068,560	-	258,493	14,336,711
Total Financial Assets	171,481,283	44,091,011	68,658,042	5,002,842	11,651,242	300,884,420
Financial Liabilities						
Due to Banks	9,679,674	756,812	368,262	2,012,739	235,196	13,052,683
Repurchase Agreements	7,411,338	12,650,717	-	-	179,473	20,241,528
Derivative Financial Instruments	-	-	-	-	26,685	26,685
Due to Depositors - at Amortised Cost	92,359,606	65,990,644	53,888,507	131	18,800,856	231,039,744
Due to Debt Securities Holders - At Amortised Cost	4,995,462	-	-	-	2,860	4,998,322
Other Liabilities	-	-	-	-	1,915,635	1,915,635
Total Financial Liabilities	114,446,080	79,398,173	54,256,769	2,012,870	21,160,705	271,274,597
Total Interest Rate Sensitivity Gap	57,035,203	(35,307,162)	14,401,273	2,989,972	(9,509,463)	29,609,823

As at 31st December 2024	Interest Bearing				Non Interest Bearing	Total
	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	3,413,701	3,413,701
Balances with Central Bank of Sri Lanka	4,500,927	-	-	-	998,254	5,499,181
Derivative Financial Instruments	-	-	-	-	79,869	79,869
Reverse Repurchase Agreements	1,001,140	-	-	-	-	1,001,140
Financial Assets at FVPL	13,107,697	-	-	-	-	13,107,697
Loans and Advances - at Amortised Cost	111,455,799	19,262,142	14,598,300	1,916,387	3,836,419	151,069,047
Debt and Other Instruments - at Amortised Cost	7,634,963	30,273,623	24,539,569	-	900,677	63,348,832
Financial Assets at FVOCI	444,709	8,079,785	10,522,856	-	300,284	19,347,634
Total Financial Assets	138,145,235	57,615,550	49,660,725	1,916,387	9,529,204	256,867,101
Financial Liabilities						
Due to Banks	2,640,589	4,451,562	1,747,267	-	54,194	8,893,612
Repurchase Agreements	25,181,175	96,057	-	-	68,760	25,345,992
Derivative Financial Instruments	-	-	-	-	58,248	58,248
Due to Depositors - at Amortised Cost	79,105,812	60,577,785	36,655,988	131	14,953,446	191,293,162
Due to Debt Securities Holders - At Amortised Cost	1,592,971	-	-	-	-	1,592,971
Subordinated Debentures	-	820,000	-	-	52,839	872,839
Other Liabilities	-	-	-	-	1,719,277	1,719,277
Total Financial Liabilities	108,520,547	65,945,404	38,403,255	131	16,906,764	229,776,101
Total Interest Rate Sensitivity Gap	29,624,688	(8,329,854)	11,257,470	1,916,256	(7,377,560)	27,091,000

49.4.2 Equity Price Risk

Equity price risk arises from the possibility that equity prices will fluctuate affecting the value of quoted equities.

Management of Equity Price Risk

The Bank does not hold any investment for strategic purposes other than the insignificant unquoted investments which are held for regulatory purposes.

All unquoted FVOCI equity instruments are recorded at cost since its fair value cannot be reliably estimated. There is no market for these instruments and the Bank intends to hold these for long-term.

49.4.3 Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. The Bank is exposed to foreign exchange rate risk that the value of a financial instrument or the investment in its foreign assets, may fluctuate due to changes in foreign exchange rates.

In order to manage the currency risk, there are Board approved limits for Net Open Position (NOP) for each major currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. The Risk Management Unit conducts stress testing on the NOP to assess the potential impact of exchange rate fluctuations on the Bank's profit and equity. In addition, the Bank utilises Value at Risk (VaR) to measure market risk exposure from its overnight foreign exchange positions. VaR is calculated at various confidence levels.

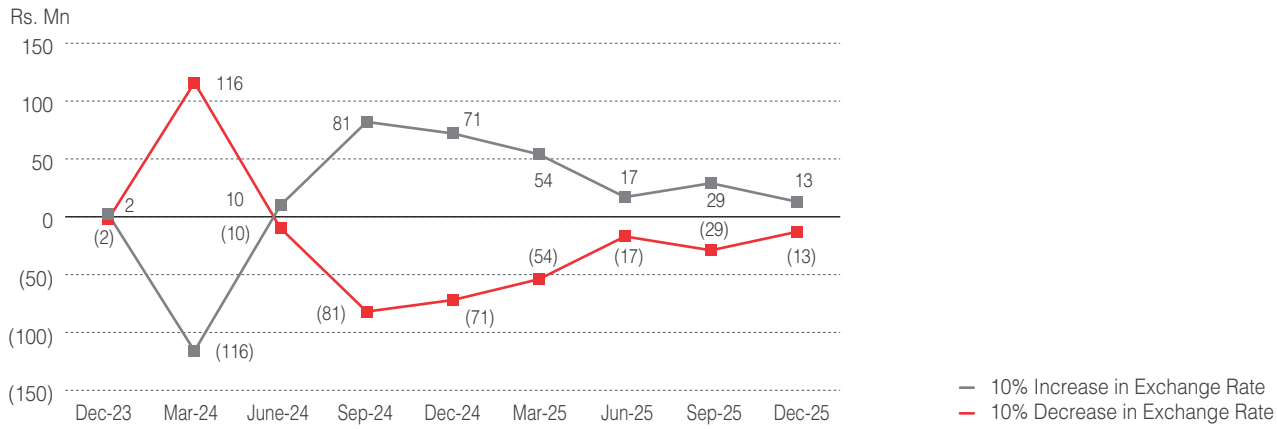
Given below are the foreign currency exposures and their Rupee equivalents in the major currencies, in which the Bank trades in:

As at 31st December	In Original Foreign Currency		Functional Currency of the Bank	
	2025	2024	2025	2024
	000	000	Rs 000	Rs 000
Net Foreign Currency Exposure				
Great Britain Pound	3	(1)	1,349	(184)
United States Dollar	374	2,346	115,901	688,104
Euro	1	6	463	1,743
Japanese Yen	35	(338)	68	(644)

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15% for change in current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on the Profit or Loss are shown in the table below:

	NOP as at 31.12.2025		NOP as at 31.12.2024	
	USD 000	Rs 000	USD 000	Rs 000
NOP	429	133,003	2,431	713,055
At Shock levels of %	Revised Rupee Position	Effect on Profit or Loss	Revised Rupee Position	Effect on Profit or Loss
	Rs.	Rs.	Rs.	Rs.
5	126,353	6,650	677,402	35,653
10	119,703	13,300	641,750	71,305
15	113,053	19,950	606,097	106,958

Impact on Statement of Profit or Loss due to Increase/(Decrease) in Exchange Rate by 10%



The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

49.4.4 Volatilities in Market Interest Rates and Exchange Rates.

Volatilities in market interest rates, equity prices and exchange rates are inherent due to macro-economic factors available from time to time. The Bank is exposed to minimal degree of interest rate risk due to existence of a significant financial instrument book of floating and short-term nature. The Bank manages interest rate risk on net basis rather than on gross basis. Due to existence of insignificant net open position, the Bank is not exposed to greater degree of currency risk.

49.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Bank recognises the significance of operational risk, which is inherent in all areas of business. This includes legal risk but excludes strategic and reputation risk. Operational risks inherent in the Bank's activities are managed within acceptable levels through an appropriate level of management focus on resources.

Management of Operational Risk

The Bank has an Operational Risk Management Policy approved by the Board of Directors which clearly demonstrates the objectives and procedures in managing operational risks. This policy manual outlines the internal operating policies of the Bank's operational risk management framework. The Board Integrated Risk Management Committee oversees the implementation of the operational risk management framework.

49.6 Country Risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank, directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited, to: sovereign events such as defaults or restructuring, political events such as contested elections, restrictions on currency movements, regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil, currency crisis and natural disasters.

In reality, the country risk is used to denote risks that are associated with investing in a foreign country instead of investing in the domestic market. As such the Bank's risk management framework incorporates a number of measures and tools to monitor this risk on exposures held outside Sri Lanka although such balances are insignificant.

The following table provides a summary of exposures by country of risk:

As at 31st December 2025	Sri Lanka Rs 000	Asia Rs 000	America Rs 000	Africa Rs 000	Europe Rs 000	Oceania Rs 000	Total Rs 000
Balances with Banks (Note 20)	25,677	245,054	1,434,003	-	105,605	-	1,810,339
Loans and Advances (Note 26)	204,396,221	10,214,277	152,526	2,360,912	-	-	217,123,936

As at 31st December 2024	Sri Lanka Rs 000	Asia Rs 000	America Rs 000	Africa Rs 000	Europe Rs 000	Oceania Rs 000	Total Rs 000
Balances with Banks (Note 20)	8,683	99,868	90,647	-	75,975	29,084	304,257
Loans and Advances (Note 26)	157,223,897	1,751,174	144,478	1,766,153	-	-	160,885,702

Rest of the financial asset categories do not include exposures outside the territorial boundaries of Sri Lanka, as such are not presented separately.

50 NET ASSETS VALUE PER ORDINARY SHARE

Year ended 31st December	2025	2024
Total Equity Holders Funds (Rs 000)	30,387,029	26,777,778
Number of Ordinary Shares in Issue (Note 41)	442,561,629	442,561,629
Net Assets Value Per Share (Rs.)	68.66	60.51

51 ADDITIONAL CASH FLOW INFORMATION

51.1 Cash and Cash Equivalents for Cash Flow Purpose

	2025 Rs 000	2024 Rs 000
Cash in Hand (Note 20)	3,464,686	3,109,946
Balances with Local and Foreign Banks (Note 20)	1,810,339	304,256
Placements with Banks (Note 22)	1,050,231	-
	6,325,256	3,414,202

The statutory deposit with the Central Bank of Sri Lanka is not available to finance the Bank's day-to-day operations and therefore, it is not considered as a part of the cash and cash equivalents.

51.2 Change in Operating Assets

	2025 Rs 000	2024 Rs 000
Balances with Central Bank of Sri Lanka	(6,348,662)	(2,589,910)
Reverse Repurchase Agreements	(1,530,404)	(1,001,140)
Financial Assets at FVPL	10,478,354	(8,900,409)
Loans and Advances - at Amortised Cost	(56,651,495)	(21,452,969)
Debt and Other Instruments - at Amortised Cost	8,589,397	17,292,387
Financial Assets at FVOCI	4,967,674	(19,107,984)
Other Assets	(803,066)	208,167
	(41,298,202)	(35,551,858)

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

51.3 Change in Operating Liabilities

	2025 Rs 000	2024 Rs 000
Due to Banks	3,862,972	7,345,917
Repurchase Agreements	(5,104,464)	13,734,538
Due to Depositors - at Amortised Cost	38,837,493	17,581,189
Other Provisions and Accruals	(228,381)	557,646
Other Liabilities	342,697	699,446
	37,710,317	39,918,736

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

51.4 Non-Cash Items Included in Profit Before Tax

	2025 Rs 000	2024 Rs 000
Depreciation of Property, Plant and Equipment (Note 15)	195,033	168,035
Amortisation of Right-of-Use Assets (Note 15)	336,128	310,512
Amortisation of Intangible Assets (Note 15)	100,078	61,662
Losses on Disposal of Property, Plant and Equipment (Note 11)	7,174	1,306
Net (Gains)/ Losses on Derecognition of SLISBs (Note 12)	-	3,881,198
Impairment Charges/(Reversals) (Note 13)	583,315	(4,906,000)
Foreign Exchange - Net Forward Forex (Gains)/Losses (Note 8)	(110,248)	(137,451)
Net Fair Value (Gains)/ Losses from Financial Assets at FVPL (Note 9)	51,774	70,282
Net (Gains)/ Losses on Revaluation of Foreign Exchange (Note 11)	9,271	875,186
Defined Benefit Plan Expenses (Note 14)	145,622	132,010
	1,318,147	456,740

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

51.5 Operational Cash Flows from Interest and Dividends

	2025 Rs 000	2024 Rs 000
Interest Received	30,274,931	30,281,930
Less: Interest Paid	14,166,577	19,787,185
Net Interest Received	16,108,354	10,494,745
Dividend Received (Note 11)	2,366	2,386

51.6 Changes in Liabilities Arising from Financing Activities

	Stated Capital Rs 000	Unsecured Term Borrowings Rs 000	Subordinated Debentures Rs 000	Lease Liabilities Rs 000	Total Liabilities from Financing Activities Rs 000
As at 01st January 2025	3,614,253	1,592,971	872,839	1,558,344	7,638,405
Cash Flows from Financing Activities					
- Receipts	-	5,000,000	-	-	5,000,000
- Repayments	-	(1,576,645)	(820,000)	(246,015)	(2,642,660)
- Interest and Fee Payments	-	(43,224)	(114,800)	(156,777)	(314,801)
Others*	-	25,220	61,961	561,126	648,306
As at 31st December 2025	3,614,253	4,998,322	-	1,716,678	10,329,251

	Stated Capital Rs 000	Unsecured Term Borrowings Rs 000	Subordinated Debentures Rs 000	Lease Liabilities Rs 000	Total Liabilities from Financing Activities Rs 000
As at 01st January 2024	3,614,253	13,051,593	872,839	1,512,130	19,050,814
Cash Flows from Financing Activities					
- Repayments	-	(11,212,083)	-	(255,738)	(11,467,821)
- Interest Payments	-	(826,670)	(115,115)	(137,514)	(1,079,299)
Others *	-	580,130	115,115	439,466	1,299,575
As at 31st December 2024	3,614,253	1,592,971	872,839	1,558,344	7,638,405

*'Others' include the effects of interest accrued during the year, movements in foreign exchange rates, change in transaction costs and additions and derecognitions of lease liabilities.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

52 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled contractually. Financial assets at FVPL including derivatives have been classified to be repaid within 12 months, regardless of its actual contractual maturities.

As at 31st December 2025	Within 12 Months Rs 000	After 12 Months Rs 000	Total Rs 000
Assets			
Cash and Cash Equivalents	5,273,592	-	5,273,592
Balances with Central Bank of Sri Lanka	11,847,843	-	11,847,843
Placements with Banks	1,049,717	-	1,049,717
Reverse Repurchase Agreements	2,531,544	-	2,531,544
Derivative Financial Instruments	158,553	-	158,553
Financial Assets at FVPL	2,577,568	-	2,577,568
Loans and Advances -at Amortised Cost	71,569,071	136,482,988	208,052,059
Debt and Other Instruments - at Amortised Cost	15,212,322	39,844,511	55,056,833
Financial Assets at FVOCI	4,264,401	10,072,310	14,336,711
Property, Plant and Equipment	-	3,356,173	3,356,173
Right-of-Use Assets	290,374	1,198,070	1,488,444
Intangible Assets	-	391,016	391,016
Deferred Tax Assets	-	212,056	212,056
Other Assets	969,631	714,055	1,683,686
Total Assets	115,744,616	192,271,179	308,015,795
Liabilities			
Due to Banks	10,671,682	2,381,001	13,052,683
Repurchase Agreements	20,241,528	-	20,241,528
Derivative Financial Instruments	26,685	-	26,685
Due to Depositors - at Amortised Cost	166,989,115	64,050,629	231,039,744
Due to Debt Securities Holders - at Amortised Cost	1,248,322	3,750,000	4,998,322
Retirement Benefit Obligations	17,565	745,261	762,826
Current Tax Liabilities	1,419,410	-	1,419,410
Other Provisions and Accruals	804,821	-	804,821
Other Liabilities	3,897,842	1,381,764	5,279,606
Total Liabilities	205,316,970	72,308,655	277,625,625
Net	(89,572,354)	119,962,524	30,390,170

As at 31st December 2024	Within 12 Months Rs 000	After 12 Months Rs 000	Total Rs 000
Assets			
Cash and Cash Equivalents	3,413,701	-	3,413,701
Balances with Central Bank of Sri Lanka	5,499,181	-	5,499,181
Reverse Repurchase Agreements	1,001,140	-	1,001,140
Derivative Financial Instruments	79,869	-	79,869
Financial Assets at FVPL	13,107,697	-	13,107,697
Loans and Advances -at Amortised Cost	70,753,117	80,315,930	151,069,047
Debt and Other Instruments - at Amortised Cost	34,755,331	28,593,501	63,348,832
Financial Assets at FVOCI	8,821,026	10,526,608	19,347,634
Property, Plant and Equipment	-	2,926,217	2,926,217
Right-of-Use Assets	-	1,409,786	1,409,786
Intangible Assets	-	328,682	328,682
Deferred Tax Assets	-	27,357	27,357
Other Assets	705,372	598,497	1,303,869
Total Assets	138,136,434	124,726,578	262,863,012
Liabilities			
Due to Banks	7,146,345	1,747,267	8,893,612
Repurchase Agreements	25,345,992	-	25,345,992
Derivative Financial Instruments	58,248	-	58,248
Due to Depositors - at Amortised Cost	147,045,131	44,248,031	191,293,162
Due to Debt Securities Holders - at Amortised Cost	1,592,971	-	1,592,971
Subordinated Debentures	872,839	-	872,839
Retirement Benefit Obligations	13,481	669,325	682,806
Current Tax Liabilities	1,156,336	-	1,156,336
Other Provisions and Accruals	1,033,202	-	1,033,202
Other Liabilities	3,930,362	1,225,704	5,156,066
Total Liabilities	188,194,907	47,890,327	236,085,234
Net	(50,058,473)	76,836,251	26,777,778

53 COMMITMENTS AND CONTINGENCIES

Accounting Policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits are not probable or cannot be reliably measured.

The Bank enters into various irrevocable commitments and contingent liabilities to meet the financial needs of customers. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. The letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. The guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank and pending legal claims against the Bank too form a part of commitments of the Bank. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. However, these contingent liabilities do contain credit risk and are therefore form a part of the overall risk of the Bank.

Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the Financial Statements within 'Other Liabilities' at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in Profit or Loss under 'Impairment Charges'. The premium received is recognised in Profit or Loss under 'Fee and Commission Income' on a straight line basis over the life of the guarantee. The accounting policy pertaining to impairment provisions for commitments and contingencies is given in Note 2.8.6.

Details of commitments and contingencies are given below;

53.1 Commitments and Contingencies

As at 31st December	2025 Rs 000	2024 Rs 000
Financial Guarantees	5,665,145	5,140,218
Documentary Credit	5,824,827	2,459,343
Currency Swaps (Note 24)	62,825,824	34,454,665
Forward Foreign Exchange Contracts (Note 24)	6,661,814	1,756,249
Spot Contracts (Note 24)	1,937,768	51,931
Undrawn Credit Commitments	15,294,928	13,192,104
Total (Note 49.3.4)	98,210,306	57,054,510

Impairment allowances on undrawn credit commitments are included under impairment allowances for respective loan products in Note 26.6, whereas impairment allowances on financial guarantees and documentary credit are given under Note 38 - Other Liabilities.

53.1.1 Capital Commitments

The commitments for acquisition of property, plant & equipment and intangible assets incidental to the ordinary course of business, are as follows.

As at 31st December	2025 Rs 000	2024 Rs 000
For Property, Plant & Equipment		
Approved and Contracted for	61,937	172,635
Approved But Not Contracted for	146,617	56,658
	208,554	229,293
For Intangible Assets		
Approved and Contracted for	143,797	70,266
Approved But Not Contracted for	129,150	-
	272,947	70,266

53.2 Material Litigation Against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

Pending legal claims where the Bank had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not considered here as the Bank does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the probability of the outcome and also based on a reasonable estimation. The Bank's legal counsel is of the opinion that the litigations which are currently pending will not have a material impact on the reported financial results or future operations of the Bank.

54 LEASE ARRANGEMENTS

54.1 Finance Lease Receivables

The Bank leases a variety of assets such as motor vehicles, machinery and equipment to third parties under finance leases. At the end of the lease terms assets may be sold to third parties or leases for further terms. The lease terms are fixed. Rentals are calculated to recover the cost of the assets less their residual values and earn finance income.

As at 31st December 2025	Total Future Minimum Lease Payments Rs 000	Unearned Finance Income Rs 000	Present Value of Future Minimum Lease Payments Rs 000
Lease Rentals Receivable			
- Within One Year	8,577,882	1,855,463	6,722,419
- After One Year But Not More Than Five Years	13,505,603	2,273,544	11,232,059
- More Than Five Years	23,697	3,343	20,354
Total (Note 26.1)	22,107,182	4,132,350	17,974,832

As at 31st December 2024	Total Future Minimum Lease Payments	Unearned Finance Income	Present Value of Future Minimum Lease Payments
	Rs 000	Rs 000	Rs 000
Lease Rentals Receivable			
- Within One Year	6,001,665	1,340,391	4,661,274
- After One Year But Not More Than Five Years	8,233,962	1,508,269	6,725,693
Total (Note 26.1)	14,235,627	2,848,660	11,386,967

ECL allowance for uncollectible minimum lease payments are disclosed in Note 26.6.

55 RELATED PARTY DISCLOSURE

The Bank has carried out transactions in the ordinary course of business with parties who are defined as "Related Parties" as defined in LKAS 24 - 'Related Party Disclosures'. The terms and conditions of such transactions are disclosed under Note 55.4 and Note 55.5.

55.1 Parent and Ultimate Controlling Party

The Bank does not have an identifiable parent of its own.

55.2 Transactions with Key Management Personnel of the Bank

The Bank has identified and disclosed personnel those having authority and responsibility for planning, directing and controlling the activities of the Bank as the 'Key Management Personnel' in accordance with LKAS 24 : 'Related Party Disclosures'. Accordingly, the Chief Executive Officer and the Board of Directors have been identified as 'Key Management Personnel' (KMP) for Accounting and Financial Reporting purposes.

55.3 Compensation of Key Management Personnel of the Bank

The following represents the compensation paid to Key Management Personnel of the Bank.

	2025	2024
	Rs 000	Rs 000
Short-term Benefits	116,857	101,157
Retirement Benefits	5,715	5,103
	122,572	106,260

Short-term benefits represent salaries, bonuses and other related expenses of Chief Executive Officer and fees paid to Non Executive Directors including the Chairman. Retirement Benefits includes the Bank's contribution for Employees' Provident Fund and Employees' Trust Fund with regard to KMP's.

55.4 Transactions with Key Management Personnel of the Bank

The Bank enters into transactions, arrangements and agreements with the Key Management Personnel and the Close family members of Key Management Personnel in the ordinary course of business. The transactions below were made in the ordinary course of business and on substantially the same terms, including interest/commission rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features. The Bank has not made any provision for individual impairment losses on amounts due from the Key Management Personnel and their Close Family Members.

As at 31st December	2025			2024		
	Limit	Closing Balance	Average Balance	Limit	Closing Balance	Average Balance
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Loans and Advances	4,453	2,810	3,124	5,068	4,053	4,275
Liabilities						
Deposits and Borrowings	-	84,256	80,902	-	74,380	74,649
Repurchase Agreements	-	11,000	11,000	-	-	-

For the year ended 31st December	2025	2024
	Rs 000	Rs 000
Income and Expenses		
Interest Income	621	767
Interest Expense	10,220	9,966
Fee and Commission Income	1	3

55.5 Transactions with Other Related Parties of the Bank

In addition to transactions with the Key Management Personnel and their Close Family Members, the Bank enters into transactions, arrangements and agreements with entities that are controlled or joint controlled by the Key Management Personnel and their Close Family Members in the ordinary course of business. There were no transactions with other related parties during the year. (2024-Nil)

56 EVENTS AFTER THE REPORTING DATE

No events after the reporting date that require adjustments to or disclosures in the Financial Statements except for the following:

Dividend Declared (Note 19.2.2)

The Board of Directors has recommended and declared a first and final cash dividend of Rs. 1/- per share for the financial year ended 31st December 2025 (2024 - Rs. 1/- per share) subject to the approval of the shareholders at the Annual General Meeting to be held on 31st March 2026, and accordingly it has not been recognised as a liability in these Financial Statements for the year ended 31st December 2025.

Regulatory Update on Primary Dealer Appointment

Subsequent to the reporting date, the Governing Board of the Central Bank of Sri Lanka, by letter dated 27th January 2026, informed the Bank of the cancellation of its appointment to function as a Primary Dealer, with effect from 23rd October 2025. The Bank's Primary Dealer activities had been suspended since 15th August 2017 and were not operational during the reporting period. Accordingly, the Primary Dealer business does not constitute a core business activity of the Bank.

The cancellation of the Primary Dealer appointment does not affect the Bank's operations as a Licensed Commercial Bank under the Banking Act, nor does it have an impact on the Bank's customers, financial position, liquidity, capital adequacy, or future business strategy. The Bank continues to conduct its permitted activities, including trading in the secondary government securities market, in accordance with applicable laws and regulations. In accordance with Sri Lanka Accounting Standard LKAS 10 – Events After the Reporting Period, this matter has been classified as a non adjusting event after the reporting period, and accordingly, no adjustments have been made to the amounts recognised in these financial statements.

57 CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital requirements of the local prudential regulator, Central Bank of Sri Lanka. The adequacy of the Bank's Capital is monitored using among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BCBS) and adopted by the Central Bank of Sri Lanka

Capital Management

The main objectives of the Bank's capital management policy are to ensure the Bank maintains sufficient capital to meet regulatory capital requirements, hold sufficient capital to support the Bank's risk appetite, provide additional capital to business segments to achieve strategic objectives, to provide a buffer in absorbing potential losses arising from various risks and safeguarding of depositor funds and ensuring that the Bank maintaining required capital levels in order to achieve credit rating objectives.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to the shareholders or issue capital securities, all of which are under the constant review by the Board of Directors and the relevant Board Committees.

The Capital Adequacy Ratio (CAR) is a measure used to determine whether the Bank has sufficient capital to withstand unexpected losses arising from various risks during the course of the business, such as Credit Risk, Market Risk and Operational Risk. At present, Capital Adequacy Ratios of the licensed banks in Sri Lanka are computed based on the Banking Act Direction No. 1 of 2016 and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL).

The 'Total Capital' under BASEL III consists Common Equity Tier 1 Capital which comprises Stated Capital, Statutory Reserve Fund, Published Retained Earnings and Other General Reserves less Cost of Intangible Assets and Deferred Tax Assets. The other component of Tier 1 Capital is Additional Tier 1 Capital.

Tier 2 Capital is the other component of the Total Capital includes approved Revaluation Surpluses, Subordinated Term Debt, 100% of impairment for Stage 1 Assets and 50% of impairment for Stage 2 assets subject to maximum limit of 1.25% Risk Weighted Amount for Credit Risk.

The details of the Bank's Compliance with regulatory capital ratio requirements are disclosed in Note 60.

The Bank sustained the envisaged capital goals operating in a highly regulated, volatile environment. Optimise risk weighted assets, efficient capital allocation, cost efficiency and profitability and stress testing and best risk management practices are some key strategies adopted aiming to strengthen the capital ratios during the year 2025. The Bank maintained capital ratios well above the minimum regulatory standards throughout the year 2025. However continuous focus will be on building strong capital buffers to support the expected business growth couple with to maintain resilience capital in the Bank.

Internal Capital Adequacy Assessment Process (ICAAP)

The Supervisory Review Process (SRP) Pillar II of Basel III Accord, main purpose of which is to identify additional risks which are material to a bank and establishing requirements to strengthen capital adequacy by estimating economic capital to account for unexpected losses. ICAAP encourages the development and use of efficient and effective techniques of risk management to monitor and manage risks within the Bank.

58 SEGMENT REPORTING

Accounting Policy

The Bank's segmental reporting is based on the following operating segments namely: Retail & SME Banking, Corporate Banking, and Treasury.

Retail and SME Banking segment includes loans, overdrafts, credit card facilities, deposits, current accounts and other services offered to Retail & SME customers.

Corporate Banking segment includes loans, overdrafts, other credit facilities, deposits, current accounts and other services offered to Corporate customers.

Treasury function includes trading function, financing and other central functions, use of derivatives for risk management purpose, investment products and services to institutional investors and intermediaries. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements.

Income taxes and common overhead expenses are managed on an entity basis and are not allocated to operating segments. Interest income is reported on net basis as the management primarily relies on net interest income as a performance measure, not the gross income and expenses. Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Revenue from transactions with no single external customer or counterparty amounted to 10% or more of the Bank's total revenue during the years 2025 and 2024.

For the Year ended 31st December	2025			
	Retail & SME Banking	Corporate Banking	Treasury	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Gross Income				
Third Party	21,742,333	3,204,551	9,098,470	34,045,354
Inter-Segment	6,001,099	(1,347,413)	(4,653,686)	-
Total Income	27,743,432	1,857,138	4,444,784	34,045,354
Extract of Results				
Interest Income	19,164,386	3,035,583	8,503,467	30,703,436
Less: Interest Expense	14,479,523	1,207,693	2,268,348	17,955,564
Inter - Segment	6,001,099	(1,347,413)	(4,653,686)	-
Net Interest Income	10,685,962	480,477	1,581,433	12,747,872
Fee and Commission Income	2,480,302	127,711	-	2,608,013
Less: Fee and Commission Expense	46,205	-	45,963	92,168
Net Fee and Commission Income	2,434,097	127,711	(45,963)	2,515,845
Net Gains from Trading	-	-	508,386	508,386
Net Fair Value Losses from Financial Assets at FVPL	-	-	(51,774)	(51,774)
Net Gains from Derecognition of Financial Assets at FVOCI	-	-	278,634	278,634
Net Other Operating Gains/(Losses)	97,644	41,258	(140,243)	(1,341)
Total Operating Income	13,217,703	649,446	2,130,473	15,997,622
Less: Impairment Charges/(Reversals)	555,745	(24,271)	(10,667)	520,807
Net Operating Income	12,661,958	673,717	2,141,140	15,476,815
Less: Depreciation and Amortisation Expenses	626,013	588	4,638	631,239
Total Operating Expenses	4,758,602	114,009	182,828	5,055,439
Segment Result	7,277,343	559,120	1,953,674	9,790,137
Less: Un-allocated Expenses				2,142,851
Operating Profit Before Taxes on Financial Services				7,647,286
Less: Taxes and Levies on Financial Services				1,826,999
Profit Before Tax				5,820,287
Less: Income Tax Expense				1,814,709
Profit for the Year				4,005,578
Other Comprehensive Income for the Year				49,376
Total Comprehensive Income for the Year				4,054,954
Cash Flows Generated from/(Used in) Operating Activities	(5,442,423)	(7,768,395)	15,183,449	1,972,631
Cash Flows Generated from/(Used in) Investing Activities				
Capital Expenditure				
On Property, Plant & Equipment	(513,972)	(28)	-	(514,000)
On Intangible Assets	(163,138)	-	(5,424)	(168,562)
Proceeds from Sale of Property, Plant & Equipment	74	-	-	74
	(677,036)	(28)	(5,424)	(682,488)
Cash Flows Generated from/(Used in) in Financing Activities	1,676,881	(17,966)	(58,938)	1,599,977
As at 31st December				
Segment Assets	167,924,498	45,315,560	87,320,195	300,560,252
Unallocated Assets	-	-	-	7,455,542
Total Assets	167,924,498	45,315,560	87,320,195	308,015,795
Segment Liabilities	212,079,800	26,487,873	30,791,287	269,358,960
Unallocated Liabilities and Equity	-	-	-	38,656,835
Total Liabilities and Equity	212,079,800	26,487,873	30,791,287	308,015,795

For the Year ended 31st December	2024			
	Retail & SME Banking	Corporate Banking	Treasury	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Gross Income				
Third Party	19,993,661	2,229,868	6,608,069	28,831,598
Inter-Segment	6,711,606	(758,053)	(5,953,553)	-
Total Income	26,705,267	1,471,815	654,516	28,831,598
Extract of Results				
Interest Income	18,220,877	2,191,544	10,369,304	30,781,725
Less: Interest Expense	15,433,804	979,381	2,232,798	18,645,983
Inter - Segment	6,711,606	(758,053)	(5,953,553)	-
Net Interest Income	9,498,679	454,110	2,182,953	12,135,742
Fee and Commission Income	1,801,525	105,200	-	1,906,725
Less: Fee and Commission Expense	24,292	32	45,255	69,579
Net Fee and Commission Income	1,777,233	105,168	(45,255)	1,837,146
Net Gains from Trading	-	-	753,368	753,368
Net Fair Value Losses from Financial Assets at FVPL	-	-	(70,282)	(70,282)
Net Gains from Derecognition of Financial Assets at FVOCI	-	-	23,609	23,609
Net Other Operating Losses	(28,740)	(66,876)	(767,565)	(863,181)
Total Operating Income	11,247,172	492,402	2,076,828	13,816,402
Less: Net Losses on Derecognition of SLISBs	-	-	3,700,366	3,700,366
Impairment Charges/(Reversals)	660,619	594,464	(6,316,296)	(5,061,213)
Net Operating Income/(Losses)	10,586,553	(102,062)	4,692,760	15,177,249
Less: Depreciation and Amortisation Expenses	535,909	201	4,099	540,209
Total Operating Expenses	4,202,994	98,954	143,348	4,445,296
Segment Result	5,847,649	(201,217)	4,545,312	10,191,744
Less: Un-allocated Expenses				2,293,503
Operating Profit Before Taxes on Financial Services				7,898,241
Less: Taxes and Levies on Financial Services				1,870,732
Profit Before Tax				6,027,509
Less: Income Tax Expense				1,892,793
Profit for the Year				4,134,716
Other Comprehensive Income for the Year				156,052
Total Comprehensive Income for the Year				4,290,768
Cash Flows Generated from/(Used in) Operating Activities	12,333,477	(6,563,206)	4,684,406	10,454,677
Cash Flows Generated from/(Used in) Investing Activities				
Capital Expenditure				
On Property, Plant & Equipment	(196,405)	(13)	-	(196,418)
On Intangible Assets	(68,783)	-	-	(68,783)
Proceeds from Sale of Property, Plant & Equipment	47	-	-	47
	(265,141)	(13)	-	(265,154)
Cash Flows Used in Financing Activities	(12,609,372)	-	(48,388)	(12,657,760)
As at 31st December				
Segment Assets	130,736,419	24,950,026	97,232,462	252,918,907
Unallocated Assets	-	-	-	9,944,105
Total Assets	130,736,419	24,950,026	97,232,462	262,863,012
Segment Liabilities	165,886,705	28,094,857	34,075,262	228,056,824
Unallocated Liabilities and Equity	-	-	-	34,806,188
Total Liabilities and Equity	165,886,705	28,094,857	34,075,262	262,863,012

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

59 RECLASSIFICATIONS AND RESTATEMENTS TO COMPARATIVE FIGURES

59.1 Reclassifications

The presentation and classification of comparative Information have been amended and reclassified wherever necessary for better presentation and to be comparable of those with the current year.

59.2 Restatements

There were no restatements to the comparative figures of 2024.

60 SELECTED PERFORMANCE INDICATORS

	Bank	
	As at 31/12/2025	As at 31/12/2024
Regulatory Capital Adequacy (Rs. 000)		
Common Equity Tier I (CET I) Capital before Adjustments	27,981,343	24,435,528
Common Equity Tier I (CET I) Capital after Adjustments	27,378,270	24,079,489
Total Tier 1 Capital	27,378,270	24,079,489
Total Capital	30,024,080	26,348,045
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement : 7%)	16.66	19.17
Tier 1 Capital Ratio (Minimum Requirement : 8.5%)	16.66	19.17
Total Capital Ratio (Minimum Requirement : 12.5%)	18.27	20.98
Basel III Leverage Ratio % (Minimum Requirement : 3%)	8.74	8.18
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement : 100%)		
- Rupee	204.90	264.10
- All Currency	154.97	344.37
Net Stable Funding Ratio (%) (Minimum Requirement : 100%)	128.52	153.44
Assets Quality (%)		
Stage 3 Loans (Impaired Loans) to Total Loans *	1.73	3.10
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)	62.63	60.10
Income and Profitability (%)		
Net Interest Margin	4.55	4.93
Return on Assets (Before Tax)	2.08	2.45
Return on Equity	14.09	17.30
Cost-to-Income Ratio	48.94	52.68
Memorandum Information		
Credit Rating (Fitch Ratings)	BBB (lka) Stable Outlook	BBB-(lka) Stable Outlook
Number of Employees	1,604	1,567
Number of Branches	88	85

* Impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

COMPLIANCE WITH DISCLOSURE REQUIREMENTS SPECIFIED BY THE CENTRAL BANK OF SRI LANKA

The following explains the Other Disclosure Requirements under the prescribed format issued by the Central Bank of Sri Lanka for the Preparation of Annual Financial Statements of Licensed Commercial Banks.

1	**Information about the Significance of Financial Instruments for Financial Position and Performance**		
1.1	**Statement of Financial Position**		
1.1.1	Disclosures on categories of financial assets and financial liabilities.		Note 47 to the Financial Statements - Analysis of Financial Assets and Liabilities by Measurement basis
1.1.2	Other Disclosures		
	(i)	Special disclosures about financial assets and financial liabilities designated to be measured at Fair Value through Profit or Loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	Not Applicable
	(ii)	Reclassifications of financial instruments from one category to another.	Not Applicable
	(iii)	Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note 26.4 and 27.2 to the Financial Statements
	(iv)	Reconciliation of the allowance account for credit losses by class of financial assets.	Note 20.1, 22.1, 26.6, 27.4 and 38.3 to the Financial Statements
	(v)	Information about compound financial instruments with multiple embedded derivatives.	Not Applicable
	(vi)	Significant Breaches of terms of loan agreements.	There are no significant breaches of the terms of loan agreements
1.2	**Statement of Profit or Loss**		
1.2.1	Disclosures on items of income, expense, gains and losses.		Note 6 - 18 to the Financial Statements
1.2.2	Other Disclosures		
	(i)	Total interest income and total interest expense for those financial instruments that are not measured at Fair Value through Profit or Loss.	Note 6.2 to the Financial Statements - Net Interest Income from Financial Instruments Not Measured at Fair Value through Profit or Loss
	(ii)	Fee income and expense.	Note 7 to the Financial Statements - Net Fee and Commission Income
	(iii)	Amount of impairment losses by class of financial assets.	Note 13 to the Financial Statements-Impairment charges
	(iv)	Interest income on impaired financial assets.	Note 6.3 to the Financial Statements
	(v)	Profit generated through all interbank foreign exchange transactions including end user transactions where one leg is in the interbank market.	Note 8.1 to the Financial Statements

1.3	**Other Disclosures**		
1.3.1	Accounting policies for financial instruments.		Note 2.8 to the Financial Statements - Summary of Material Accounting Policies
1.3.2	Financial liabilities designated as at FVPL		
	(i)	If a bank is presenting the effects of changes in that financial liability's credit risk in other comprehensive income (OCI): - any transfers of the cumulative gain/loss within equity during the period, including the reasons for the transfers; - if the liability is derecognised during the period, then the amount (if any) presented in OCI that was realised at derecognition; - detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss; and	Not Applicable
	(ii)	Detailed description, if the effects of changes in a liability's credit risk are presented in profit or loss.	Not Applicable
1.3.3	Investments in equity instruments designated as at FVOCI		
	(i)	Details of equity instruments that have been designated as at FVOCI and the reasons for the designation;	Not Applicable
	(ii)	Fair value of each investment at the reporting date;	Not Applicable
	(iii)	Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date;	Not Applicable
	(iv)	Any transfers of the cumulative gain or loss within equity during the period and the reasons for those transfers;	Not Applicable
	(v)	If investments in equity instruments measured at FVOCI are derecognised during the reporting period, - reasons for disposing of the investments; - fair value of the investments at the date of derecognition; and - the cumulative gain or loss on disposal	Not Applicable

COMPLIANCE WITH DISCLOSURE REQUIREMENTS SPECIFIED BY THE CENTRAL BANK OF SRI LANKA

1.3.4	Reclassifications of financial assets		
	(i)	For all reclassifications of financial assets in the current or previous reporting period: - date of reclassifications; - detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements; and - the amount reclassified into and out of each category.	Not Applicable
	(ii)	For reclassifications from FVPL to amortised cost or FVOCI: - the effective interest rate (EIR) determined on the date of reclassification; and - the interest revenue recognised.	Not Applicable
	(iii)	For reclassifications from FVOCI to amortised cost, or from FVPL to amortised cost or FVOCI: - the fair value of the financial assets at the reporting date; and - the fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	Not Applicable
1.3.5	Information on hedge accounting		Not Applicable
1.3.6	Information about the fair values of each class of financial asset and financial liability, along with:		
	(i)	Comparable Carrying Amounts.	Note 48 to the Financial Statements - Fair Value of Financial Instruments
	(ii)	Description of how fair value was determined.	
	(iii)	The level of inputs used in determining fair value.	
	(iv)	(a) Reconciliations of movements between levels of fair value measurement hierarchy.	Not Applicable
		(b) Additional disclosures for financial instruments that fair value is determined using level 3 inputs.	Not Applicable
	(v)	Information if fair value cannot be reliably measured.	Note 28 to the Financial Statements - Financial Assets at FVOCI

2	**Information about the Nature and Extent of Risks Arising from Financial Instruments**		
2.1	**Qualitative Disclosures**		
2.1.1	Risk exposures for each type of financial instrument.		Note 49 to the Financial Statements - Risk Management
2.1.2	Management's objectives, policies, and processes for managing those risks		Note 49 to the Financial Statements - Risk Management
2.1.3	Changes from the prior period.		Not Applicable
2.2	**Quantitative Disclosures**		
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date.		Note 49 to the Financial Statements - Risk Management
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.		Note 49 to the Financial Statements - Risk Management
	(i)	Credit Risk - Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets. - For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset. - Information about collateral or other credit enhancements obtained or called. - Process and the methodology for valuing trading positions by type of instrument.	Note 49.2 to the Financial Statements - Risk Management Report on pages 299 to 312
		- The risk governance structure, scope and main features of risk measurement systems, Qualitative information on stress testing, Strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model.	Note 49 to the Financial Statements - Risk Management
		- Other disclosures refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Basel III Pillar 3 Disclosures on Pages 342 to 353
	(ii)	Liquidity Risk - A maturity analysis of financial liabilities. - Description of approach to risk management. - Trend in key liquidity ratios. - Other disclosures refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements Under Basel III for Licensed Banks.	Note 49.3 to the Financial Statements - Risk Management Report on pages 313 to 317 Note 49.3 to the Financial Statements – Risk Management Basel III Pillar 3 Disclosures on Pages 350 to 351

COMPLIANCE WITH DISCLOSURE REQUIREMENTS SPECIFIED BY THE CENTRAL BANK OF SRI LANKA

	(iii)	Market Risk - A sensitivity analysis of each type of market risk to which the entity is exposed. - Additional information, if the sensitivity analysis is not representative of the entity's risk exposure. - Systems and controls to ensure that the valuation estimates are prudent and reliable. - Description of the process and the methodology for valuing trading positions by type of instrument. - Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 49.4 to the Financial Statements - Risk Management Report on pages 317 to 322 Note 48 to the Financial Statements – Risk Management Basel III Pillar 3 Disclosures on Page 350
	(iv)	Operational Risk - Activities that have been outsourced together with parties and basis for payment. - Due diligence tests of third-party service providers. - Refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Page 76 of the Annual Report 2025 - Risk Management Basel III Pillar 3 Disclosures on Page 342
	(v)	Equity risk in the Banking Book - Qualitative disclosures Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. - Quantitative disclosures Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value, the types and the nature of investments and the cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Note 49.4 to the Financial Statements - Risk Management Report on pages 317 to 322 Not Applicable
	(vi)	Interest rate risk in the Banking Book - Qualitative disclosures Nature of interest rate risk in the banking book (IRRBB) and key assumptions. - Quantitative disclosures The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Note 49.4.1 to the Financial Statements - Risk Management Report on pages 317 to 320
2.2.3	Information on concentration of risk		Note 49.2.10 to the Financial Statements - Risk Management Report on pages 310 to 312

3	**Other Disclosures**		
3.1	**Capital**		
3.1.1	Capital structure		
		Qualitative disclosures - Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments. - Quantitative disclosures. (a) The amount of Tier 1 capital, with separate disclosure of: - Paid-up share capital/common stock - Reserves - Non-controlling interests in the equity of subsidiaries - Innovative instruments - Other capital instruments - Deductions from Tier 1 capital (b) The total amount of Tier 2 capital (c) Other deductions from capital (d) Total eligible capital	Basel III Pillar 3 Disclosures on Pages 343 to 348
3.1.2	Capital Adequacy		
		Qualitative disclosures - A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities. - Quantitative disclosures (a) Capital requirements for credit risk, market risk and operational risk (b) Total and Tier 1 capital ratio	Basel III Pillar 3 Disclosures on Pages 342 to 353

BASEL III DISCLOSURE REQUIREMENTS

INTRODUCTION

The Bank recognises, best corporate governance practices jointly with effective risk management techniques which directs the Bank towards the sustainable achievement in business goals while staying above the minimum regulatory requirements. The Bank usually operates in a vulnerable environment and are highly exposed to risk. Therefore, the Bank places a higher emphasis on a continuous basis on improving risk management processes and operating with sufficient level of capital to support its risk absorption capacity and business expansions. The Bank's risk management team has to play a vital role in maintaining prudential risk management practices across the Bank which enables early detection of down side risks in all its businesses and other operations.

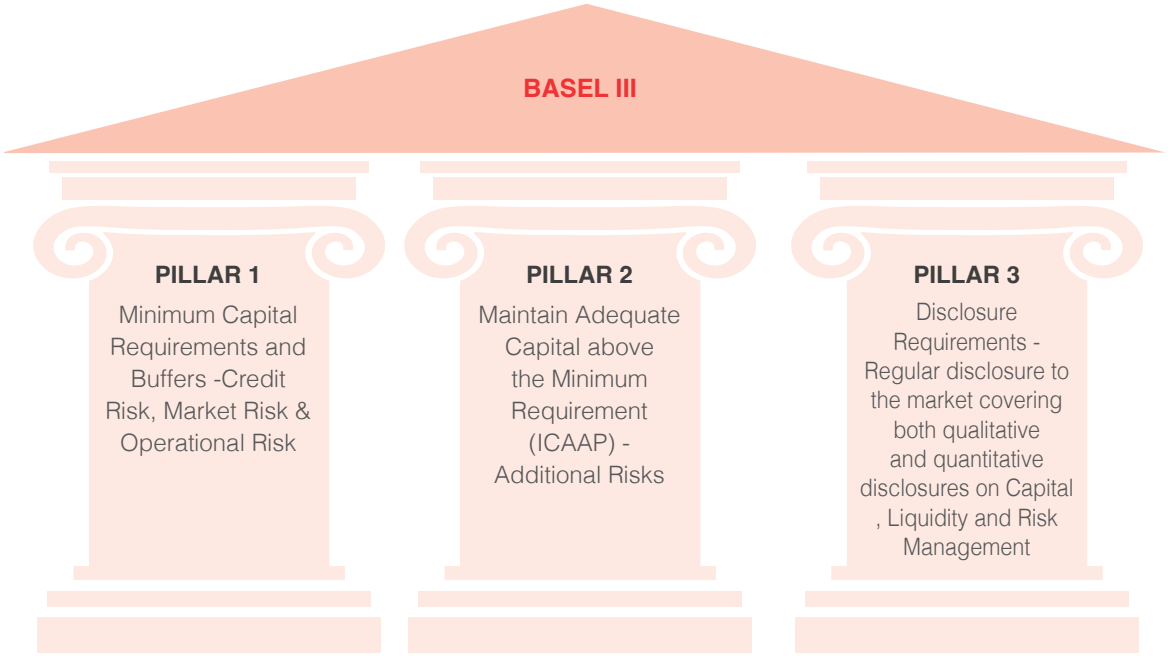
Based on empirical data and close analysis of market behaviour, the Bank is of the belief that effective investment in robust risk management practices would facilitate in mitigating the credit, market, operational and the other risk factors facing the Bank.

Further use of market discipline is deemed to be an important driver in the enhancement of the risk management system from the Bank as well as the stakeholders' perspective. Therefore, the Bank believes comprehensive disclosure of capital level in relation to the credit risk, market risk and operational risk levels would fulfil the expectations of the regulators as well as other stakeholders at large.

SCOPE OF BASEL III FRAMEWORK

The Basel Committee on Bank Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of reforms are to increase the quality, consistency and transparency of capital to enhance the risk management framework of Licensed Banks.

Accordingly, the Central Bank of Sri Lanka has issued Direction No. 01 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks (LCB's) and Licensed Specialised Banks (LSB's) on 29th December 2016. As per the direction, Capital Requirements applicable for a Licensed Commercial Bank from 1st July 2017 onwards consist of three pillars.



PILLAR 1 - MINIMUM CAPITAL REQUIREMENTS AND BUFFERS

Commencing from 1st July 2017, every LCB and LSB need to comply with minimum capital ratios and the buffers as prescribed in the direction. According to the latest regulatory requirements enforced by CBSL, the Bank is required to maintain the capital in 3 tiers as mentioned below.

Minimum Capital Ratio Requirement

Components of Capital	Minimum Requirement
Common Equity Tier 1 Capital Ratio Including Capital Conservation Buffer	7.00%
Total Tier 1 Capital Ratio Including Capital Conservation Buffer	8.50%
Total Capital Ratio Including Capital Conservation Buffer	12.50%

CAPITAL BUFFERS

All banks are required to hold additional capital buffers over and above the minimum CET I, Total Tier I and Total Capital Adequacy levels.

- Capital Conservation Buffer (CCB)
- High Loss Absorbency (HLA) requirement for Domestic Systemically Important Banks (D-SIBs)
- Counter-cyclical Buffer

Higher Loss Absorbency (HLA) Requirements for Domestic Systemically Important Banks (D-SIBs)

Monetary Board of Central Bank has issued Banking Act Direction No 02 of 2025 'Framework for Dealing with Domestic Systemically Important Banks' on 17th April 2025.

This framework attempts to identify the banks whose failure has a larger impact on the financial system due to size, interconnectedness, lack of substitutability and complexity and require maintaining higher loss absorbency (HLA) by such banks.

Primary objective of the implementation of the D-SIBs framework is D-SIBs to hold higher capital buffers and to provide incentives to reduce their systemic importance on the domestic economy.

The minimum capital surcharge on D-SIBs is as follows:

Bucket	HLA Requirement (CET 1 as a % of Risk-Weighted Assets)
3	2.0
2	1.5
1	1.0

Licensed banks which are determined as Domestic Systemically Important Banks (D-SIBs), from time to time have to maintain additional Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1 Capital.

However as per eligible criterions defined in the direction to be categorised as D-SIB, it is likely that additional HLA capital requirements will not be applicable for our Bank given the total exposure measure coming under Leverage Ratio is account for below the minimum exposure value of Rs. 500 billion specified by the regulator under disclosure requirements in the directions.

The Bank's Total exposures coming under Basel III leverage ratio was Rs. 318.28 billion as at 31st December 2025.

BASEL III DISCLOSURE REQUIREMENTS

PILLAR 2 - MAINTAIN ADEQUATE CAPITAL ABOVE THE MINIMUM REQUIREMENT (ICAAP)

The Bank needs to maintain adequate capital buffers to safeguard itself from the exposure to risk as specified in the direction. Under Pillar 2, a Board approved ICAAP document needs to be submitted to the Central Bank of Sri Lanka for supervisory review process. ICAAP lets banks to identify, analyse and quantify its risk exposures using different methodologies, techniques and to quantify required level of capital to absorb the risks.

Further under pillar 2, banks are instructed to scrutinise different types of risks which are not covered/fully captured under Pillar 1. Accordingly, following risk categories also need to be quantified and allocation of capital needs to be done in computing the Pillar 2 Capital Ratios.

- Risks not fully captured under Pillar 1 - Concentration risk (credit risk), interest rate/rate of return risk in the Banking book (market risk) etc.

- Risk types not covered under Pillar 1 - Liquidity risk, concentration risk, reputational risk, compliance risk, strategic and business risk, residual risk. etc. (risks which are not specifically addressed under Pillar 1)

The Bank has already developed an ICAAP policy and framework which closely indicate the risk and capital assessment processes which ensures that adequate level of capital is maintained to support the Bank's current and projected demand for capital under expected and stressed conditions.

PILLAR 3 - DISCLOSURE REQUIREMENTS

Commencing from 1st July 2017, the Bank needs to disclose the regulator prescribed key information in relation to regulatory capital, liquidity and risk management with the published financial statements, in the annual report and in the web site.

Pillar 3 aims to provide consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

The Bank has implemented a Pillar 3 policy and procedure framework to address the requirements laid down for pillar 3 disclosures.

The complete disclosure report of information regarding capital management in accordance with Basel III- Pillar 3 is provided of which quantitative information regarding capital structure, capital adequacy and monitoring of liquidity standards is disclosed on a quarterly basis. The disclosures on the Bank's risk management approach and risk management related to key risk exposures are disclosed on an annual basis.

Key Regulatory Ratios - Capital and Liquidity

As at	31.12.2025	31.12.2024
Regulatory Capital (Rs '000)		
Total Common Equity Tier 1 Capital	27,981.343	24,435,528
Common Equity Tier 1 Capital	27,378,270	24,079,489
Tier 1 Capital	27,378,270	24,079,489
Total Capital	30,024,080	26,348,045
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7.00%)	16.66	19.17
Tier 1 Capital Ratio (Minimum Requirement -8.50%)	16.66	19.17
Total Capital Ratio (Minimum Requirement -12.50%)	18.27	20.98
Leverage Ratio (Minimum Requirement -3%)	8.74	8.18
Regulatory Liquidity (%)		
Liquidity Coverage Ratio (%)		
Rupee (Minimum Requirement -100%)	204.90	264.10
All Currency (Minimum Requirement -100%)	154.97	344.37
Net Stable Funding Ratio (%) (Minimum Requirement -100%)	128.52	153.44

Overview of Capital Planning

The senior management of the Bank is responsible for the management of the capital & liquidity and establishment of compliance with internal policies as well as regulatory standards relating to capital & liquidity management.

The Bank's capital position is monitored on a continuous basis and report to the Board Strategic Planning Committee and the Board meetings. The Bank sets the tolerance levels for capital adequacy ratios in the ICAAP mechanism and if any breach or noncompliance to be foreseen, decisions are taken to enhance capital position or restructure business lines to fill the gap.

Further capital forecasts are performed in line with detailed strategic plan of the Bank which is updated on an annual basis. The Bank regularly monitors the actual position against the strategic measures and if any deviation to be captured, relevant business heads are informed of corrective actions.

In addition, significant emphasis is given to scrutinise the behaviour of the material risk exposures. If any adverse movement is monitored in recovery patterns of the credit exposures on a regular basis. The Credit Monitoring Unit of the Bank stays on alert for early detection and recovery process before moving to Stage 3 category.

PROJECTED CAPITAL INITIATIVES/ CAPITAL SOURCES

An assessment of the future capital requirement of the Bank is carried out by taking in to account several factors which include but not limited to the future strategy, growth projection and regulatory requirement. The adequacy of current and future capital is continuously monitored quite closely in line with the Bank's short, medium and long-term goals stated in the strategic plan and considering any emerging market opportunities. The proper mapping of credit, market and operational risk to this projected business growth enables assignment of capital that not only adequately covers minimum regulatory capital requirement but also provide headroom for growth.

The Bank complied with minimum regulatory capital and liquidity standards set for year 2025 with the contribution of internal capital generation over the period.

BASEL III DISCLOSURE REQUIREMENTS

Basel III Computation of Capital Ratios

As at	31.12.2025 Rs 000	31.12.2024 Rs 000
Common Equity Tier 1 (CET1) Capital after Adjustments	27,378,270	24,079,489
Common Equity Tier 1 (CET1) Capital	27,981,343	24,435,528
Stated Capital	3,614,253	3,614,253
Reserve Fund	1,394,753	1,194,474
Published Retained Earnings	22,889,208	19,512,208
Published Accumulated Other Comprehensive Income (OCI)	83,128	114,593
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Losses and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	603,073	356,039
Goodwill (net)	-	-
Intangible Assets (net)	391,017	328,682
Others - Differed Tax Assets	212,056	27,357
Additional Tier 1 (AT1) Capital after Adjustments	-	-
Additional Tier 1 (ATI) Capital	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital	-	-
Investment in Own Shares	-	-
Others	-	-
Tier 2 Capital after Adjustments	2,645,810	2,268,556
Tier 2 Capital	2,645,810	2,268,556
Qualifying Tier 2 Capital Instruments	-	82,000
Revaluation Gains	805,407	818,481
Stage 1 & 50% of stage 2 impairment provision	1,840,403	1,368,075
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2 Capital	-	-
Investment in Own Shares	-	-
Others	-	-
CET1 Capital	27,378,270	24,079,489
Total Tier 1 Capital	27,378,270	24,079,489
Total Capital	30,024,080	26,348,045
Total Risk Weighted Assets (RWA)	164,351,809	125,604,699
RWAs for Credit Risk	147,232,231	109,445,989
RWAs for Market Risk	213,195	2,119,813
RWAs for Operational Risk	19,906,383	14,038,897
CET1 Capital Adequacy Ratio (including Capital Conservation Buffer) (%)	16.66	19.17
of which: Capital Conservation Buffer (%)	2.50	2.50
Total Tier 1 Capital Adequacy Ratio (%)	16.66	19.17
Total Capital Adequacy Ratio (including Capital Conservation Buffer) (%)	18.27	20.98
of which: Capital Conservation Buffer (%)	2.50	2.50

Regulatory Changes/ Capital Initiatives over the Period

- Tier 1 Capital has changed during the year under review due to capitalisation of internal capital generation for 2025.
- Tier 2 Capital has changed due to movements in impairment provisions for stage 1 and stage 2 assets and discounting of subordinated debenture value over the remaining maturity period. Subordinated debentures matured in July 2025.

LEVERAGE RATIO

The Leverage Ratio to act as a credible supplementary measure to the risk based capital requirement in order to restrict the build-up of leverage in the banking sector, helping to avoid any destabilising deleveraging processes which can damage the broader financial system and the economy, and reinforce the risk-based requirements with a simple, non-risk based 'backstop' measure.

The Central Bank of Sri Lanka has issued Direction No. 12 of 2018 on 'Leverage Ratio under Basel III for Licensed Commercial Banks and Licensed Specialised Banks' on 28th December 2018. The minimum Leverage Ratio requirement for licensed banks is 3%.

Computation of Leverage Ratio

As at	31.12.2025 Rs 000	31.12.2024 Rs 000
Tier 1 Capital	27,378,270	24,079,489
Total Exposures	313,278,671	294,371,861
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	279,047,726	259,821,264
Derivative Exposures	584,853	337,405
Securities Financing Transaction Exposures	28,210,981	29,624,009
Other Off-Balance Sheet Exposures	5,435,112	4,589,183
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	8.74	8.18

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

	Ordinary Shares
Issuer	Pan Asia Banking Corporation PLC
CSE Security Code	PABC N0000
Governing Law(s) of the Instrument	Companies Act No.7 of 2007
Original Date of Issuance	Multiple
Par Value of Instrument (Rs.)	N/A
Perpetual or Dated	Perpetual
Original Maturity Date	N/A
Regulatory Treatment	
Instrument Type	Common Equity Tier 1
Amount recognised in Regulatory Capital (in Rs. Mn) As at 31st December 2025	3,614
Accounting Classification (Equity/Liability)	Shareholders' Equity
Issuer Call subject to Prior Supervisory Approval	No
Optional Call Date, Contingent Call Dates and Redemption Amount	N/A
Coupons/Dividends	
Fixed or Floating Dividend/Coupon	Discretionary dividend amount
Coupon Rate and any Related Index	Distributable profit that has been declared as dividend
Non-Cumulative or Cumulative	Non Cumulative

BASEL III DISCLOSURE REQUIREMENTS

	Ordinary Shares
Convertible or Non-Convertible	Non-Convertible
If Convertible, Conversion Trigger (s)	N/A
If Convertible, Fully or Partially	N/A
If Convertible, Mandatory or Optional	N/A
If Convertible, Conversion Rate	N/A

RISK WEIGHTED ASSETS

CREDIT RISK

The Bank computes risk weighted assets on credit exposures using the Standardised Approach Method. In assigning risk weights for calculation of risk weighted assets using the standardised approach under Basel III, the Bank uses credit ratings from External Credit Assessment Institutions (ECAIs) who meet the qualifications specified by the CBSL. The credit ratings from External Credit Assessment Institutions are applied to risk weight the claims on Banks, financial institutions and corporate customers. Claims on Retail and SME customers are risk weighted based on the criteria's specified in the directions.

Credit Risk under Standardised Approach - Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Amount (Rs 000) as at 31.12.2025	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density	
Asset Class	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density (%) (ii)
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	
Claims on Central Government and Central Bank of Sri Lanka	83,769,179	-	81,237,635	-	1,076,404	1%
Claims on Public Sector Entities	9,733,949	378,775	9,733,949	22,434	7,314,282	75%
Claims on Bank's Exposures	8,333,396	65,066,583	8,333,396	1,301,332	8,332,530	86%
Claims on Financial Institutions	8,596,193	1,262,093	8,596,193	29,560	5,161,108	60%
Claims on Corporates	40,859,920	3,560,203	30,822,646	796,583	28,755,792	91%
Retail Claims	115,011,271	19,082,850	101,081,118	3,680,821	81,751,699	78%
Claims Secured by Gold	21,118,989	-	21,118,989	-	845,040	4%
Claims Secured by Residential Property	5,582,911	-	5,582,911	-	3,242,565	58%
Net Stage 3 Loans (i)	4,009,982	-	4,009,982	-	4,055,697	101%
Higher-risk Categories	3,752	-	3,752	-	5,628	150%
Cash Items and Other Assets	10,156,542	-	10,156,542	-	6,691,486	66%
Total Assets	307,176,083	89,350,505	280,677,112	5,830,729	147,232,231	51%

Notes:

(i) Stage 3 Loans- As per Banking Act Direction No. 13 and 14 of 2021 (as amended subsequently) on Classification, Recognition and Measurement of Credit Facilities and Classification, Recognition and Measurement of Financial Assets other than credit facilities in LCBs

(ii) RWA Density – Total RWA/Exposures post CCF and CRM.

The considerable growth in lending has resulted in increase in risk weighted assets during year 2025.

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights (Post CCF & CRM)

As at 31st December 2025	Risk Weight										
Asset Class	**0%**	**2.0%**	**10%**	**20%**	**35%**	**50%**	**60%**	**75%**	**100%**	**150%**	**Total Credit Exposures**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Claims on Central Government and Central Bank of Sri Lanka	75,855,616	-	-	5,382,019	-	-	-	-	-	-	81,237,635
Claims on Public Sector Entities	-	-	-	1,010	-	4,882,586	-	-	4,872,787	-	9,756,383
Claims on Banks Exposures	-	1,301,332	-	1,627,747	-	-	-	-	6,705,649	-	9,634,728
Claims on Financial Institutions	-	-	-	-	-	6,929,289	-	-	1,696,463	-	8,625,752
Claims on Corporates	-	-	-	558,502	-	5,726,899	-	-	25,150,179	183,650	31,619,229
Retail Claims	-	-	-	658,650	-	454,090	6,266,961	82,013,821	15,368,418	-	104,761,939
Claims Secured by Gold	16,893,789	-	-	4,225,200	-	-	-	-	-	-	21,118,989
Claims Secured by Residential Property	-	-	-	-	3,600,531	-	-	-	1,982,379	-	5,582,911
Stage 3 Loans	-	-	-	-	-	229,036	-	-	3,460,481	320,465	4,009,982
Higher-risk Categories	-	-	-	-	-	-	-		-	3,752	3,752
Cash Items and Other Assets	3,464,686	-	-	462	-	-	-	-	6,691,394	-	10,156,542
Total	96,214,091	1,301,332	-	12,453,589	3,600,531	18,221,900	6,266,961	82,013,821	65,927,750	507,867	286,507,841

Further Explanation on the Bank approach to manage credit risk can be found in:

- Graphical presentation of exposures subject to credit risk by major types, geographical areas, sectors and risk rating wise - page 80 of Bank's Annual Report 2025 (Risk Management).
- Maximum Exposures to Credit Risk by asset class - pages 307 to 308 of Bank's Annual Report 2025.
- Industry Analysis of Financial Assets - pages 310 to 311 of Bank's Annual Report 2025.
- Break down of credit exposures classified by residual maturity - pages 325 to 326 of Bank's Annual Report 2025.
- Breakdown of exposures subject to credit risk with details on impairment allowances and write offs. pages 263 to 268 of Bank's Annual Report 2025.

BASEL III DISCLOSURE REQUIREMENTS

MARKET RISK

The Bank follows the 'Standardised Measurement Method' for computing the capital charge for exposures capture under market risk.

Market Risk under Standardised Measurement Method

As at 31st December 2025	RWA Amount Rs 000
(a) RWA for Interest Rate Risk	9,987
General Interest Rate Risk	9,987
(i) Net Long or Short Position	9,987
(ii) Horizontal Disallowance	-
(iii) Vertical Disallowance	-
(iv) Options	-
Specific Interest Rate Risk	-
(b) RWA for Equity	-
(i) General Equity Risk	-
(ii) Specific Equity Risk	-
(c) RWA for Foreign Exchange & Gold	16,662
Risk Weighted Amount for Market Risk ((a+b+c) * Reciprocal of Total Capital Ratio)	213,195

LIQUIDITY COVERAGE RATIO

The Liquidity Coverage Ratio (LCR) ensures Banks maintaining sufficient unencumbered High-Quality Liquid Assets (HQLA) to survive a significant liquidity stress scenario over 30 days horizon. The Central Bank of Sri Lanka issued Banking Act Direction No. 01 of 2024 on "Liquidity Coverage Ratio under Basel III Liquidity Standards for Licensed Commercial Banks" on 13th June 2024. The Bank monitors its LCR position on a daily basis, ensuring a sufficient buffer is maintained over the minimum regulatory requirement and the Bank's risk appetite. The Bank holds a diverse mix of High-Quality Liquid Assets (HQLA), consisting primarily of cash, excess balances held with Central Bank above Statutory Reserve, Government of Sri Lanka securities (Level 1 Liquid Assets).

Basel III Computation of Liquidity Coverage Ratio - All Currency

As at	31.12.2025		31.12.2024	
	Total Un-weighted Value Rs 000	Total Weighted Value Rs 000	Total Un-weighted Value Rs 000	Total Weighted Value Rs 000
Total Stock of High-Quality Liquid Assets (HQLA)	62,559,799	61,740,553	76,445,518	75,637,388
Total Adjusted Level 1 Assets	57,126,571	57,126,571	71,109,362	71,109,362
Level 1 Assets	57,098,157	57,098,157	71,057,988	71,057,988
Total Adjusted Level 2A Assets	5,461,642	4,642,396	5,387,530	4,579,401
Level 2A Assets	5,461,642	4,642,396	5,387,530	4,579,401
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	277,291,535	64,952,948	225,700,127	41,494,293
Deposits	177,152,519	16,353,513	162,190,465	14,970,547
Unsecured Wholesale Funding	58,157,194	33,546,893	32,712,492	16,987,322
Secured Funding Transactions	456,782	-	607,232	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	26,784,901	312,403	20,791,664	138,150
Additional Requirements	14,740,139	14,740,139	9,398,274	9,398,274
Total Cash Inflows	36,426,090	25,113,215	28,296,451	19,530,200
Maturing Secured Lending Transactions Backed by Collateral	1,000,000	-	1,000,000	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	18,875,612	10,373,076	17,593,920	10,131,926
Operational Deposits	1,810,338	-	304,257	-
Other Cash Inflows	14,740,139	14,740,139	9,398,274	9,398,274
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total net Cash Outflows over the Next 30 Calendar Days) *100		154.97%		344.37%

NET STABLE FUNDING RATIO

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding. “Available stable funding” is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the Net Stable Funding Ratio, which extends to one year.

The Central Bank of Sri Lanka has issued Direction No. 01 of 2024 on ‘Net Stable Funding Ratio under Basel III liquidity Standards for Licensed Commercial Banks and Licensed Specialised Banks’ on 13th June 2024. The minimum ratio requirement is 100%.

BASEL III DISCLOSURE REQUIREMENTS

Computation of Net Stable Funding Ratio

As at	31.12.2025 Rs 000	31.12.2024 Rs 000
Total Available Stable Funding	215,958,598	186,630,688
Required Stable Funding – On Balance Sheet Assets	167,732,083	121,507,454
Required Stable Funding – Off Balance Sheet Items	297,898	126,092
Total Required Stable Funding	168,029,981	121,633,547
NSFR	128.52%	153.44%

OPERATIONAL RISK

The Bank computes capital charges for operational risk based on the Basic Indicator Approach (BIA).

Operational Risk under Basic Indicator Approach

As at 31st December 2025 Business Lines	Capital Charge Factor	Fixed Factor	Gross Income 1st Year Rs 000	 2nd Year Rs 000	 3rd Year Rs 000
The Basic Indicator Approach	15%	-	15,811,155	13,862,372	12,592,431
The Standardised Approach					
Corporate Finance	18%	-	-	-	-
Trading and Sales	18%	-	-	-	-
Payment and Settlement	18%	-	-	-	-
Agency Services	15%	-	-	-	-
Asset Management	12%	-	-	-	-
Retail Brokerage	12%	-	-	-	-
Retail Banking	12%	-	-	-	-
Commercial Banking	15%	-	-	-	-
The Alternative Standardised Approach					
Corporate Finance	18%	-	-	-	-
Trading and Sales	18%	-	-	-	-
Payment and Settlement	18%	-	-	-	-
Agency Services	15%	-	-	-	-
Asset Management	12%	-	-	-	-
Retail Brokerage	12%	-	-	-	-
Retail Banking	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					2,113,298
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					16,906,383

Differences Between Accounting and Regulatory Scopes and Mapping of Financial statement Categories with Regulatory Risk Categories As at 31st December 2025

As at 31st December 2025	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets					
Cash and Cash Equivalents	5,273,592	5,273,592	5,273,592	-	-
Balances with Central Bank of Sri Lanka	11,847,843	11,847,843	11,847,843	-	-
Placements with Banks	1,049,717	1,049,717	1,049,717	-	-
Reverse Repurchase Agreements	2,531,544	2,531,544	2,531,544	-	-
Derivative Financial Instruments	158,553	158,553	158,553	-	-
Financial Assets at FVPL	2,577,568	2,577,568	-	2,577,568	
Financial Assets at Amortised Cost					
-Loans and Advances	208,052,059	208,052,059	208,052,059	-	-
-Debt and Other Instruments	55,056,833	55,056,833	55,056,833	-	-
Financial Assets at FVOCI	14,336,711	14,336,711	14,336,711	-	-
Property, Plant and Equipment	3,356,173	3,356,173	3,356,173	-	-
Right-of-Use Assets	1,488,444	1,488,444	1,488,444	-	-
Intangible Assets	391,017	391,017	-	-	391,017
Deferred Tax Assets	212,056	212,056	-	-	212,056
Other Assets	1,683,686	1,683,686	1,683,686	-	-
Total Assets	308,015,795	308,015,795	304,835,154	2,577,568	603,073
Liabilities					
Due to Banks	13,052,683	13,052,683	-	-	-
Repurchase Agreements	20,241,528	20,241,528	-	-	-
Derivative Financial Instruments	26,685	26,685	-	-	-
Financial Liabilities at Amortised Cost					
-Due to Depositors	231,039,744	231,039,744	-	-	-
-Due to Debt Securities Holders	4,998,322	4,998,322	-	-	-
Subordinated Debentures	-	-	-	-	-
Retirement Benefit Obligations	762,826	762,826	-	-	-
Current Tax Liabilities	1,419,410	1,419,410	-	-	-
Other Provisions and Accruals	804,820	804,820	-	-	-
Other Liabilities	5,279,605	5,279,605	-	-	-
Total Liabilities	277,625,625	277,625,625	-	-	-
Gross Off-Balance Sheet Liabilities					
Guarantees	5,665,144	5,665,144	5,665,144	-	-
Documentary Credit	5,824,828	5,824,828	5,824,828	-	-
Currency Swaps	71,425,406	71,425,406	71,425,406	-	-
Commitments for Unutilised Facilities	15,294,928	15,294,928	15,294,928	-	-
Total Gross Off-Balance Sheet Liabilities	98,210,306	98,210,306	98,210,306	-	-
Shareholders' Equity					
Stated Capital	3,614,253	3,614,253	-	-	-
of Which Amount Eligible for CET I	3,614,253	3,614,253	-	-	-
of Which Amount Eligible for AT I	-	-			
Retained Earnings	23,331,770	23,331,770	-	-	-
Accumulated Other Comprehensive Income	134,854	134,854	-	-	-
Other Reserves (Note 1)	3,309,294	2,713,522	-	-	-
Total Shareholders' Equity	30,390,171	29,794,401	-	-	-

Note 01- As per the letter issued by the Director, Department of Bank Supervision of CBSL dated 13th February 2025, the Bank has transferred Rs. 595.77 million from Retained Earnings to a Special Reserve, which is disregarded for any regulatory capital computations. The CBSL via letter dated 03rd October 2025 has notified to continue Special Reserve until further notice

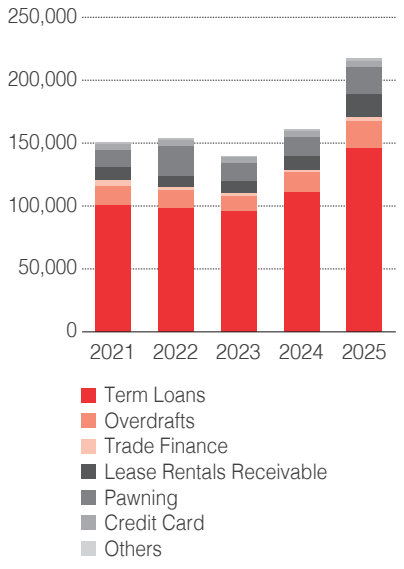
QUARTERLY STATISTICS

	2025				2024			
	31st December Rs 000	30th September Rs 000	30th June Rs 000	31st March Rs 000	31st December Rs 000	30th September Rs 000	30th June Rs 000	31st March Rs 000
Extract of Statement of Financial Position								
Total Assets	308,015,795	294,238,665	280,979,914	271,412,026	262,863,012	251,061,102	247,508,390	237,015,441
Loans and Advances	208,052,059	194,151,324	173,287,907	157,990,723	151,069,047	147,239,969	139,502,438	137,274,284
Due to Depositors	231,039,744	217,258,287	204,048,437	197,825,875	191,293,162	190,157,624	192,596,722	179,785,013
Debentures	-	-	871,896	843,275	872,839	843,904	872,210	843,589
Shareholders' Funds	30,390,170	29,367,789	28,528,793	27,291,194	26,777,778	24,701,244	23,511,884	22,849,806
Extract of Statement of Profit or Loss								
Net Interest Income	3,223,375	3,258,041	3,230,047	3,036,409	3,340,854	2,942,086	2,968,973	2,883,829
Other Income/(Losses)	735,509	849,347	863,959	800,935	477,803	185,699	1,042,120	(24,961)
Total Operating Income	3,958,884	4,107,388	4,094,006	3,837,344	3,818,657	3,127,785	4,011,093	2,858,868
Net Losses on Derecognition of International Sovereign Bonds	-	-	-	-	(3,700,366)	-	-	-
Impairment Losses	(23,587)	(193,403)	(180,955)	(122,862)	5,440,761	355,207	(597,462)	(137,293)
Non-Interest Expenses	(2,441,564)	(2,493,574)	(2,470,530)	(2,250,861)	(2,754,897)	(2,255,942)	(2,212,996)	(1,925,906)
Income Tax Expense	(512,573)	(547,905)	(307,390)	(446,841)	(886,074)	(35,289)	(538,557)	(432,873)
Profit for the Quarter	981,161	872,506	1,135,131	1,016,780	1,918,081	1,191,761	662,078	362,796
Profitability (YTD) Ratios								
Net Interest Margin (%)	4.55	4.64	4.68	4.62	4.93	4.84	4.91	4.91
Earnings per Share (Rs.)	9.05	6.83	4.86	2.30	9.34	5.01	2.32	0.82
Return on Equity (%)	14.09	14.46	15.79	15.23	17.30	12.67	8.97	6.42
Return on Assets (%)	1.43	1.47	1.61	1.55	1.68	1.22	0.86	0.62
Capital Adequacy Ratios								
Common Equity Tier I Capital Ratio (%)	16.66	15.43	16.65	17.09	19.17	15.20	16.09	15.11
Total Tier I Capital Ratio (%)	16.66	15.43	16.65	17.09	19.17	15.20	16.09	15.11
Total Capital Ratio (%)	18.27	17.07	18.32	18.72	20.98	17.08	18.04	17.09
Asset Quality Ratios								
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans (%)	1.73	2.06	2.39	2.79	3.10	3.80	4.14	4.10
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)-(%)	62.63	60.86	63.13	61.50	60.10	52.65	52.09	46.74
Liquidity Ratios								
Liquidity Coverage Ratio (LCR)								
Rupee (%)	204.90	180.89	212.94	210.24	264.10	221.71	262.02	445.37
All Currency (%)	154.97	166.27	188.56	263.77	344.37	312.89	316.22	354.62

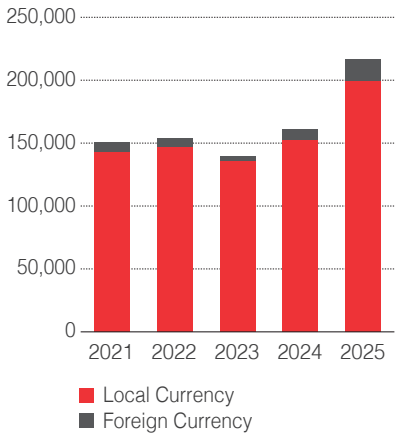
ANALYSIS OF LOANS AND ADVANCES

	2025 Rs 000	2024 Rs 000	2023 Rs 000	2022 Rs 000	2021 Rs 000
By Product					
Term Loans	145,712,822	110,867,968	95,475,922	97,845,863	100,358,520
Overdrafts	21,548,292	15,666,386	12,654,674	14,346,626	15,611,229
Trade Finance	3,736,499	1,851,014	2,094,709	2,707,541	4,570,341
Lease Rentals Receivable	17,974,832	11,386,967	9,140,396	8,954,624	10,475,359
Pawning	21,155,351	14,739,176	14,339,054	23,817,255	13,163,530
Credit Card	5,109,038	4,774,041	4,781,099	4,670,387	4,997,569
Others	1,887,102	1,600,150	1,399,902	1,737,014	1,507,476
Total	217,123,936	160,885,702	139,885,756	154,079,309	150,684,024
By Currency					
Sri Lankan Rupee	199,088,613	152,576,986	135,545,641	146,728,447	142,806,129
United States Dollar	17,794,054	8,083,866	3,921,919	5,268,600	4,912,500
Others	241,269	224,850	418,196	2,082,262	2,965,395
Total	217,123,936	160,885,702	139,885,756	154,079,309	150,684,024

By Product



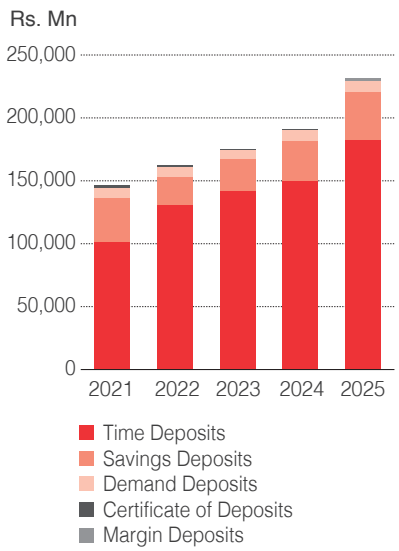
By Currency



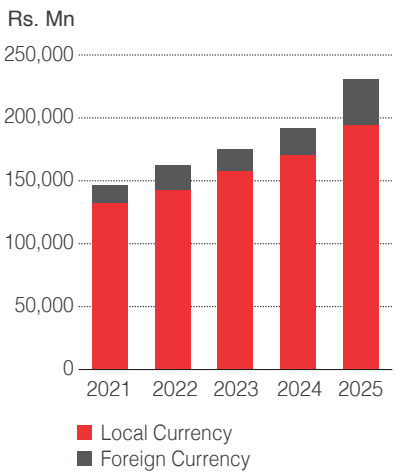
ANALYSIS OF DUE TO DEPOSITORS

	2025 Rs 000	2024 Rs 000	2023 Rs 000	2022 Rs 000	2021 Rs 000
By Product					
Demand Deposits	8,790,235	8,502,083	6,506,142	8,190,612	7,354,603
Savings Deposits	37,823,354	32,349,241	25,089,797	22,127,403	34,905,340
Time Deposits	182,513,128	149,459,014	142,211,552	130,769,723	101,519,268
Certificate of Deposits	289,999	699,043	1,206,540	1,135,753	2,408,089
Margin Deposits	1,623,028	283,781	330,839	309,968	246,516
Total	231,039,744	191,293,162	175,344,870	162,533,459	146,433,816
By Currency					
Sri Lankan Rupee	194,706,765	170,416,138	158,096,107	142,984,716	132,441,635
United States Dollar	31,872,465	18,626,140	14,796,574	16,045,760	10,636,528
Others	4,460,514	2,250,884	2,452,189	3,502,983	3,355,653
Total	231,039,744	191,293,162	175,344,870	162,533,459	146,433,816

By Product



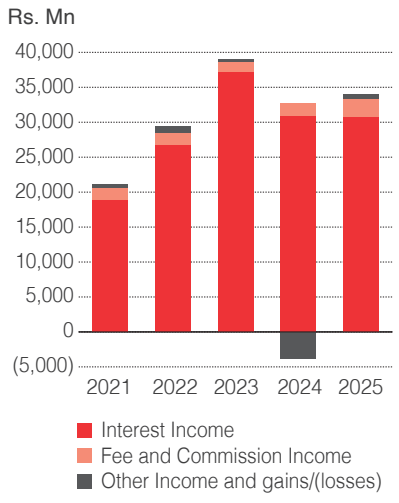
By Currency



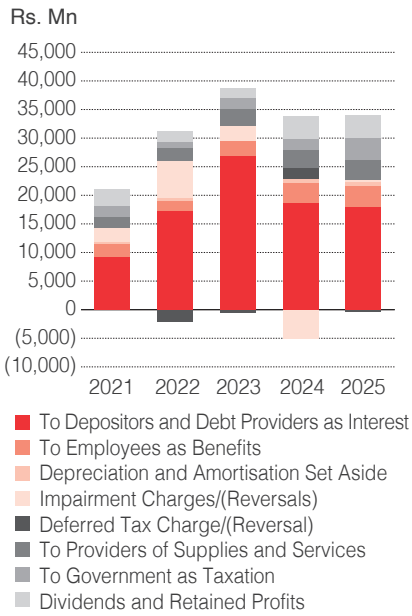
SOURCES & DISTRIBUTION OF INCOME

	2025 Rs 000	2024 Rs 000	2023 Rs 000	2022 Rs 000	2021 Rs 000
Sources of Income					
Interest Income	30,703,436	30,781,725	37,122,997	26,626,159	18,798,301
Fee and Commission Income	2,608,013	1,906,725	1,539,359	1,754,921	1,821,228
Other Income and Gains/(Losses)	733,905	(3,856,852)	308,873	1,020,649	484,005
Total	34,045,354	28,831,598	38,971,229	29,401,729	21,103,533
Distribution of Income					
To Depositors and Debt Providers as Interest	17,955,564	18,645,983	26,820,527	17,170,702	9,156,565
To Employees as Benefits	3,633,022	3,507,771	2,660,113	1,893,676	2,227,359
Depreciation and Amortisation Set Aside	631,239	540,209	513,133	481,488	459,840
Impairment Charges/(Reversals)	520,807	(5,061,213)	2,714,669	6,449,139	2,370,452
Deferred Tax Charge/(Reversal)	(205,859)	2,034,191	(423,043)	(2,016,452)	3,138
To Providers of Supplies and Services	3,617,434	3,259,607	2,917,080	2,284,747	1,947,024
To Government as Taxation	3,887,567	1,770,334	1,913,785	1,136,489	1,863,798
Current Income Tax Charge/(Reversal)	2,020,568	(141,398)	896,424	664,365	955,157
Taxes and Levies on Financial Services	1,826,999	1,870,732	997,323	451,902	877,577
Crop Insurance Levy	40,000	41,000	20,038	20,222	31,064
To Shareholders as Dividend and Retained Profits	4,005,578	4,134,716	1,854,965	2,001,940	3,075,358
Total	34,045,354	28,831,598	38,971,229	29,401,729	21,103,534

Source of Income



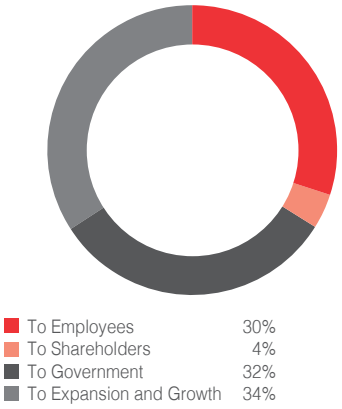
Distribution of Income



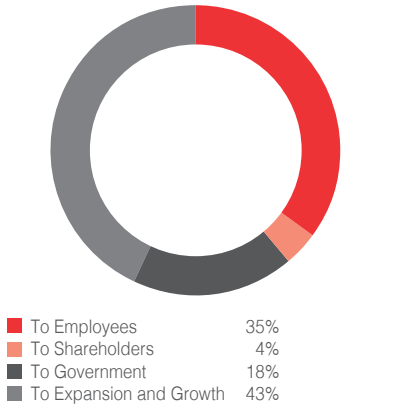
VALUE ADDED STATEMENT

	2025 Rs 000	%	2024 Rs 000	%
Value Added				
Income from Banking Services	34,045,354		28,831,598	
Cost of Funds and Services	(21,573,000)		(21,905,590)	
Value Added by Banking Services	12,472,354		6,926,008	
Impairment (Charges)/Reversal	(520,807)		5,061,213	
Deferred Tax (Charge)/Reversal	205,859		(2,034,191)	
Total	12,157,406		9,953,030	
Distribution of Value Added				
To Employees				
Salaries and Other Benefits	3,633,022	30%	3,507,771	35%
To Shareholders				
Dividends Declared	442,562	4%	442,562	4%
To Government				
Current Income Tax Charge/(Reversal)	2,020,568		(141,398)	
Taxes and Levies on Financial Services	1,826,999		1,870,732	
Crop Insurance levy	40,000		41,000	
	3,887,567	32%	1,770,334	18%
To Expansion and Growth				
Retained Profits	3,563,016		3,692,156	
Depreciation and Amortisation	631,239		540,209	
	4,194,255	34%	4,232,365	43%
Total	12,157,406	100%	9,953,030	100%

Distribution of Value Added - 2025



Distribution of Value Added - 2024



DECADE AT A GLANCE

Rs. Mn For the Year ended 31st December	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Results										
Gross Income	15,144.75	17,684.67	21,672.19	21,907.66	20,881.42	21,103.53	29,401.73	38,971.23	28,831.60	34,045.35
Interest Income	13,366.55	15,616.01	19,157.13	19,416.61	18,821.01	18,798.30	26,626.16	37,123.00	30,781.73	30,703.44
Interest Expense	8,733.16	10,909.74	12,638.84	12,782.02	11,451.26	9,156.56	17,170.70	26,820.53	18,645.98	17,955.56
Net Interest Income	4,633.39	4,706.27	6,518.29	6,634.59	7,369.75	9,641.74	9,455.46	10,302.47	12,135.74	12,747.87
Other Income and gains	1,778.20	2,068.66	2,515.06	2,491.06	2,060.41	2,305.23	2,775.57	1,848.23	(1,950.12)	3,341.92
Operating Expenses	3,605.27	3,828.61	4,415.55	4,586.12	4,305.92	4,665.29	4,680.15	6,110.36	7,348.59	7,921.70
Impairment Charges/(Reversal)	528.11	494.39	2,017.15	1,136.84	1,596.04	2,370.45	6,449.14	2,714.67	(5,061.21)	520.81
Taxes and Levies on Financial Services	483.27	576.48	691.00	1,088.54	690.03	877.58	451.90	997.32	1,870.73	1,827.00
Profit Before Income Tax	1,794.94	1,875.45	1,909.65	2,314.14	2,838.17	4,033.65	649.85	2,328.35	6,027.51	5,820.29
Income Tax Expense/(Reversal)	543.23	484.95	368.01	563.57	790.00	958.29	(1,352.09)	473.38	1,892.79	1,814.71
Profit for the Year	1,251.71	1,390.50	1,541.64	1,750.57	2,048.17	3,075.36	2,001.95	1,854.96	4,134.72	4,005.58
As at 31st December										
Assets										
Cash and Cash Equivalents	1,703.45	1,665.04	2,214.11	1,708.27	2,914.16	2,218.09	5,374.28	6,238.15	3,413.70	5,273.59
Balances with Central Bank of Sri Lanka	6,218.56	6,884.02	6,481.99	5,333.20	10,304.35	5,038.35	5,308.80	2,909.27	5,499.18	11,847.84
Derivative Financial Instruments	26.28	16.09	0.21	0.44	93.01	4.59	-	26.24	79.87	158.55
Financial Assets - FVPL	629.74	4,549.19	11.63	168.18	-	-	2,239.76	4,277.57	13,107.70	2,577.57
Loans and Advances	86,498.15	98,743.82	108,168.86	111,187.86	123,157.19	142,369.15	144,148.11	131,296.11	151,069.05	208,052.06
Other Financial Assets	31,918.27	23,573.77	34,074.56	30,080.09	35,798.94	34,110.58	42,198.32	80,216.84	64,349.97	58,638.09
Financial Assets - FVOCI	6.16	6.16	6.16	6.16	6.16	3.75	3.75	3.75	19,347.63	14,336.71
Property, Plant and Equipment	1,489.39	1,989.97	1,934.57	2,333.96	2,307.88	2,335.83	2,586.15	2,806.07	2,926.21	3,356.17
Right-of-Use Assets	-	-	-	911.84	983.37	1,377.41	1,593.99	1,399.77	1,409.79	1,488.44
Intangible Assets	315.70	284.39	305.08	280.85	346.70	320.86	340.05	321.56	328.68	391.02
Deferred Tax Assets	-	-	4.93	-	-	-	1,759.44	2,128.43	27.36	212.06
Other Assets	645.38	789.24	824.18	968.86	1,028.66	1,733.06	2,496.45	1,832.57	1,303.87	1,683.70
Total Assets	129,451.08	138,501.69	154,026.28	152,979.70	176,940.41	189,511.67	208,049.10	233,456.33	262,863.01	308,015.80
Liabilities										
Non-Deposit Financial Liabilities	21,001.34	10,963.69	15,039.81	12,466.68	14,399.17	17,147.04	16,985.12	26,210.74	35,832.57	38,292.53
Derivative Financial Instruments	-	7.37	0.11	0.11	79.01	0.03	56.10	142.07	58.25	26.68
Due to Depositors	91,456.41	107,193.03	118,627.35	122,544.02	141,079.71	146,433.82	162,533.46	175,344.87	191,293.16	231,039.74
Current Tax Liabilities	411.03	550.34	785.74	752.29	825.10	1,252.82	1,751.18	2,609.96	1,156.34	1,419.41
Deferred Tax Liabilities	445.77	630.73	-	132.78	159.83	118.40	-	-	-	-
Other Liabilities and Provisions	1,314.21	1,339.59	2,517.44	3,755.03	4,127.58	5,133.22	5,233.88	5,678.19	6,872.07	6,847.27
Debentures	7,950.17	7,147.05	5,809.19	-	872.84	872.84	872.84	872.84	872.84	-
Total Liabilities	122,578.93	127,831.80	142,779.64	139,650.91	161,543.24	170,958.16	187,432.57	210,858.67	236,085.23	277,625.63
Shareholders' Funds										
Stated Capital	1,548.97	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25
Reserves	5,323.18	7,055.64	7,632.39	9,714.54	11,782.92	14,939.26	17,002.29	18,983.40	23,163.53	26,775.92
Total Shareholders' Funds	6,872.15	10,669.89	11,246.64	13,328.79	15,397.17	18,553.51	20,616.55	22,597.65	26,777.78	30,390.17
Total Liabilities and Shareholders' Funds	129,451.08	138,501.69	154,026.28	152,979.70	176,940.41	189,511.67	208,049.11	233,456.32	262,863.01	308,015.80
Commitments and Contingencies	25,458.17	32,426.39	44,169.94	46,999.03	67,728.48	37,779.89	37,495.33	49,081.75	57,054.51	98,210.31
Share Information										
Earnings per Share (Rs.)	4.01	3.31	3.48	3.96	4.63	6.95	4.52	4.19	9.34	9.05
Net Assets Value per Share (Rs.)	15.53	24.11	25.41	30.12	34.79	41.92	46.58	51.06	60.51	68.67
Other Information										
No. of Employees	1458	1472	1,497	1629	1483	1396	1403	1469	1567	1,604
No. of Branches	82	85	85	85	85	85	85	85	85	88
No. of ATMs	81	86	86	86	86	86	85	85	85	88
No. of CDMs and CRMs	-	-	1	2	3	3	6	6	28	65

Notes

*Financial data of previous years have been re-classified / re-stated to confirm with SLFRS 9 requirements.

INVESTOR RELATIONS

Compliance Report on the Contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange

The table below summarises the Bank's degree of compliance with the Listing Rules issued by Colombo Stock Exchange;

Rule No.	Disclosure Requirements	Section Reference	Page/s
7.6 (i)	Board of Directors during the Financial Year with profiles	Annual Report of the Board of Directors' on the Affairs of the Bank Profiles of the Board of Directors	204-212 110-117
7.6 (ii)	Principal activities of the entity during the year and any changes therein.	Notes to the Financial Statements (Note 1 - Corporate Information)	229
7.6 (iii)	Top 20 shareholders - number of shares and percentage of Voting and non-voting shares	Item 02 of the Investor Relations	361-362
7.6 (iv)	Public Holding Information * Float adjusted market capitalisation * Public holding percentage (%) * Number of public Shareholders * Option	 Item 02 of the Investor Relations Item 02 of the Investor Relations Item 02 of the Investor Relations Item 02 of the Investor Relations	 362 362 362 362
7.6 (iv)	Each Director's and Chief Executive Officer's shareholding in each class of shares.	Annual Report of Board of Directors on the Affairs of the Bank	209
7.6 (vi)	Material foreseeable risk factors of the Entity	Item 05 of the Investor Relations	364
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Item 06 of the Investor Relations	364
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Notes to the Financial Statements (Note 29.5) Item 11 of the Investor Relations	275-276 364
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Notes to the Financial Statements (Note 41)	288
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Item 03 of the Investor Relations	363
7.6 (xi)	Ratios and Market Price information; • Equity Ratios • Market Price • Debenture Information • Credit Rating	 Item 04 of the Investor Relations Item 04 of the Investor Relations Not Applicable Corporate Information Item 12 of the Investor Relations	 363 363 - IBC 364
7.6 (xii)	Significant changes in the Entity's Property, Plant and Equipment and the market value of land, if the value differs substantially from the book value.	Notes to the Financial Statements (Note 29)	272-277
7.6 (xiii)	Details of funds raised through public issues, Right Issues, and Private Placements during the year.	The Bank has not raised any funds through new issue of shares/debentures during 2025.	-
7.6 (xiv)	Information in respect of Employee Share Option Scheme.	Not Applicable	-
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.	Corporate Governance Disclosure on Compliance with Section 9 of Colombo Stock Exchange	150-156

1. Stock Exchange Listing

The issued ordinary voting shares of Pan Asia Banking Corporation PLC are listed in the Colombo Stock Exchange

Instrument	Type	Security Code
Voting Shares	Ordinary	PABC N0000

The Audited Statement of Financial Position as at 31st December 2025, Audited Statement of Profit or Loss and Audited statement of Comprehensive Income for the year ended 31st December 2025 of the Bank will be submitted to the Colombo Stock Exchange within 3 months from the Statement of Financial Position date.

2. Names, Number and Percentage of Shares held by Twenty Largest Shareholders

As at 31st December 2025

No.	Name of Shareholder	No. of Shares	%
1	K.A.D.D. Perera	132,724,230	29.99
2	Bansei Securities Co. Ltd	44,256,164	10.00
3	K.D.H. Perera	23,305,998	5.27
4	P.J. Tay	21,917,994	4.95
5	K.D.A. Perera	19,200,000	4.34
6	Department of Samurdhi Development	11,114,376	2.51
7	National Savings Bank	7,000,000	1.58
8	HNB Investment Bank (Pvt) Ltd/E. Thavagnanasooriyam and E. Thavagnana Sundram	6,737,591	1.52
9	Imminent Technologies Private Limited	6,237,697	1.41
10	Sampath Bank PLC/J N Lanka Holdings Company (Pvt) Limited	4,639,050	1.05
11	Seylan Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	4,563,234	1.03
12	Sampath Bank PLC/Andaradeniya Estate (Pvt) Limited	4,001,095	0.91
13	Assetline Finance Limited/E. Thawagnasundaram	3,977,316	0.90
14	Assetline Finance Limited/S. K. Wijekoon	3,682,626	0.83
15	Hatton National Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	3,000,000	0.68
16	G.B.D. Thilakaratne	2,611,517	0.59
17	Sampath Bank PLC/G. S. N. Peiris and I. R. Peiris	2,400,000	0.54
18	Commercial Bank of Ceylon PLC/W. Jinadasa	2,378,000	0.54
19	Sri Lanka Insurance Corporation General Limited	2,287,044	0.52
20	Senkadagala Finance PLC/E. Thawagnasundaram	2,278,306	0.51
	Sub Total	308,312,238	69.67
	Balance held by 11,508 Shareholders	134,249,391	30.33
	Total	442,561,629	100.00

INVESTOR RELATIONS

As at 31st December 2024

No	Name of Shareholder	No. of Shares	%
1	K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	K. D. H. Perera	23,305,998	5.27
4	P. J. Tay	21,917,994	4.95
5	K. D. A. Perera	19,200,000	4.34
6	Department of Samurdhi Development	11,114,376	2.51
7	Sri Lanka Savings Bank Limited	10,298,499	2.33
8	Imminent Technologies (Pvt) Ltd	6,637,697	1.49
9	Acuity Partners (Pvt) Ltd/E. Thavagnanasooriyam /E. A. Thavagnanasundaram	5,000,000	1.13
10	Sampath Bank PLC / J N Lanka Holdings Company (Pvt) Ltd	4,026,347	0.91
11	Sampath Bank PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
12	Hatton National Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	3,805,803	0.86
13	JN Lanka Holdings Company (Pvt) Ltd	3,005,479	0.68
14	Hatton National Bank PLC/ E. Thavagnanasundaram	2,377,818	0.54
15	A. M. Iddamalgoda	2,048,499	0.46
16	Seylan Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	2,000,000	0.45
17	A. N. P. Abhayagunawardhana	1,800,000	0.41
18	H. Beruwalage	1,603,648	0.36
19	Merchant Bank of Sri Lanka & Finance PLC/R. A. Niranjana	1,546,040	0.35
20	Seylan Bank PLC/Gladstone Capital (Pvt) Ltd	1,440,000	0.33
	Sub Total	324,237,769	73.26
	Balance held by 7,186 Shareholders	118,323,860	26.74
	Total	442,561,629	100.00

As per the Rules No.7.6 (iv) of the Listing Rules of the CSE, the Percentage of Public Holding as at 31st December 2025 was 60.01% in the hands of 11,523 public shareholders. (31st December 2024 - 55.01% in the hands of 7,202 shareholders).

The Bank's Float Adjusted Market Capitalisation as at 31st December 2025 was Rs. 15,908,315,890/- (31st December 2024 - Rs. 8,520,860,323/-) and Bank complies with option No 01.

3. Analysis of Shareholders

Resident/Non-Resident

Range of Shareholding	2025			2024		
	No. of Shareholders	No. of Shares	% of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
Resident Shareholders	11,478	372,484,013	84.16	7,161	350,997,733	79.32
Non-Resident Shareholders	50	70,077,616	15.84	45	91,563,896	20.68
Total	11,528	442,561,629	100.00	7,206	442,561,629	100.00

Individuals/Institutions

Range of Shareholding	2025			2024		
	No. of Shareholders	No. of Shares	% of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
Individual Shareholders	11,087	276,916,976	62.57	6,830	279,737,981	63.25
Institutional Shareholders	441	165,644,653	37.43	376	162,643,648	36.75
Total	11,528	442,561,629	100.00	7,206	442,381,629	100.00

Composition of Share Ownership

Range of Shareholding	2025			2024		
	No. of Shareholders	No. of Shares	% of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
1 - 1,000 shares	6,800	2,128,879	0.48	3,927	1,235,063	0.28
1,001 - 10,000 shares	3,430	12,698,295	2.87	2,088	8,350,175	1.89
10,001 - 100,000 shares	1,060	32,396,315	7.32	949	32,447,984	7.33
100,001 - 1,000,000 shares	198	56,014,401	12.66	217	71,011,253	16.05
Over 1,000,000 Shares	40	339,323,739	76.67	25	329,517,154	74.45
Total	11,528	442,561,629	100.00	7,206	442,561,629	100.00

4. Information on Ratios and Market Prices

i) Ratios

Year	2025	2024
Dividend Per Share (Rs.)	1.00	1.00
Dividend Payout (%)	11.05	10.71
Net Asset Value per Share (Rs.)	68.67	60.51
Debt to Equity (Times)	0.16	0.09
Interest Cover (Times)	68.13	8.18
Liquidity Coverage Ratio (%)		
- Rupee	204.90	264.10
- All Currency	154.97	344.37

ii) Market Price - Ordinary Shares

Year	2025	2024
Highest	71.40	35.40
Lowest	31.00	17.60
Year-End	59.90	35.00

INVESTOR RELATIONS

5. Material Foreseeable Risk Factors

Information pertaining to the material foreseeable risk factors that require disclosures as per the Rule 7.6(vi) of the Listing Rules of the Colombo Stock Exchange (CSE) are discussed in the Note 49 to the Financial Statements, Future Outlook in pages 39 to 41 and Risk Management Report on pages 76 to 88.

6. Material Issues Pertaining to Employees and Industrial Relations

There were no material issues pertaining to employees and industrial relations pertaining to the Bank that occurred during the year under review which need to be discussed as per the Rule No. 7.6 (vii) of the Listing Rules of the CSE.

7. Non Recurrent Related Party Transactions

The aggregate value of total non recurrent Related Party Transactions entered into by the Bank during the year 2025 has not exceeded 10% of Equity or 5% of Total Assets of the Bank.

8. Recurrent Related Party Transactions

All Related Party Transactions entered by the Bank during the year 2025 have been reviewed by the Board Related Party Transaction Review Committee. Such transactions were in usual commercial terms and in ordinary course of the business without favourable treatment to the Related Parties. Further those transactions were of trading nature or necessary for the day to day operation of the Bank.

The aggregate value of recurrent Related Party Transactions (other than the exempted transactions) entered into by the Bank during the year 2025 has not exceeded 10% of the Gross Income of the Bank.

9. New Issues and Utilisation of Funds Raised via Share Issues in prior years

The Bank has not raised funds through public issues, rights issues and private placements during the years 2024 and 2025.

10. Market Capitalisation

Market Capitalisation as at 31st December 2025 - Rs. 26,509,441,577/- (31st December 2024 - Rs. 15,489,657,015/-)

11. Number of buildings owned by the Bank

The Bank owns two buildings as at 31st December 2025 the details of which are disclosed in Note 29.5 to the Financial Statements.

12. Credit Rating (Fitch Rating)

The Bank's Credit Rating remained at "BBB(lka) Stable Outlook" as at the end of the year 2025. (2024-BBB-(lka))

GLOSSARY OF FINANCIAL & BANKING TERMS

A

Acceptance
Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognising the effects of transactions and other events as and when they occur without waiting for receipt or payment of cash or cash equivalents.

Actuarial Gain or Loss
Gain or loss arising from difference in estimates and actual loss experience in a defined benefit obligation.

Additional Tier 1 Capital (AT1)
Additional Tier 1 is a component of Tier 1 capital that comprises of securities that are subordinated to most subordinated debt, which have no maturity and their dividends can be cancelled at any time.

Advances to Deposit Ratio (ADR)
Total Loans and Advances expressed as a percentage of total deposit portfolio of the Bank.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life time.

Amortised Cost
Amount at which the Financial Asset or Financial Liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Assets and Liabilities Committee (ALCO)
A risk management committee in a Bank that generally comprises the senior management levels of the Bank. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the funding structure. Among the factors considered are liquidity risk, interest rate risk, and external events that may affect the Bank's forecast and strategic balance sheet allocations.

B

BASEL III
The strengthened global regulatory framework on capital and liquidity issued by Basel committee on Bank Supervision.

Bills for Collection
A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Bill of Exchange
A signed, written, unconditional order one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of the third person (the Payee). The terms bills of exchange and drafts are often used inter-exchangebly.

Bond Exchange
A bond exchange is the process of exchanging one series of bonds for another. It can also refer to the conversion of Bonds into cash, equity, or other debt.

C

Call Deposits or Call Money
Deposits or funds lent out which are repayable on demand.

Capital Reserve
Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents
Short Term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective Impairment Provisions
Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date.

Commercial Paper
An unsecured, short-term debt instrument issued by a company, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments
Credit Facilities approved but not yet utilised by the clients at the end of the Reporting Period.

Common Equity Tier 1 Capital
Common Equity Tier 1 Capital representing permanent shareholder's equity and reserves created or increased by appropriation of retained earnings or other surpluses.

Contingencies
A condition or situation existing at the end of the Reporting Period where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contractual Maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest due to be paid.

GLOSSARY OF FINANCIAL & BANKING TERMS

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank
A Bank in a foreign country that offers banking facilities to the customers of a Bank in another country.

Cost-to-Income Ratio
A ratio expressing Bank's cost effectiveness which sets overhead expenses in relation to total operating income.

Credit Cost Ratio
The Credit Cost Ratio evaluates the cost of maintaining credit quality by expressing Total Credit-Related Losses as a percentage of the Gross Loan Portfolio. This ratio reflects the true credit cost burden borne by the Bank relative to the size of its lending book and provides a disciplined measure of evolving asset quality.

Credit Ratings
An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting carried out by an independent rating agency.

Credit Risk
Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Currency Swaps
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Country Risk
The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

D

Debt Restructuring
Debt restructuring is the process of renegotiating the terms of a debt to make it easier to pay back. It can be done by individuals, businesses, or countries.

Deferred Tax
Sum set aside in the Financial Statements for taxation that may become payable in a financial year other than the current Financial Year.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of a previously recognised financial assets or financial liability from an entity's Statement of Financial Position.

Derivatives
Financial contracts whose values are derived from the values of underline assets.

Documentary Credit (L/Cs)
Written undertakings by a Bank on behalf of its customers (typically an importer), favouring a third party (e.g. an exporter) where the third party could get paid up to a stipulated amount by fulfilling specific terms and conditions. Such undertakings are established for the purpose of facilitating trade.

E

Earnings per Share
Profit attributable to ordinary shareholders' divided by number of shares in issue during that period.

Effective Interest Rate
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Effective Tax Rate
Provision for taxation divided by the profit before taxation.

Equity Instruments
Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the Reporting Period
Events after the Reporting Period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default (EAD)
The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Earnings Yield
Shows how much an investor earned compared to market price.

Expected Credit Loss (ECL)
Expected Credit Loss (ECL) is the probability weighted estimate of credit losses over the expected life of a Financial Instrument.

Eurobond
A Eurobond is a debt instrument that's denominated in a currency other than the home currency of the country or market in which it is issued.

Exchange Fee
An exchange fee is a charge for exchanging one thing for another, such as securities, currencies, or goods.

F

Fair Value
Fair value as 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.

Finance Lease
Lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Asset or Financial Liability at Fair Value through Profit or Loss
Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as at fair value through profit or loss.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)
Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial Guarantee Contract
A Financial Guarantee Contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instruments
Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity.

Float Adjusted Market Capitalisation
Float adjusted market capitalisation is the market value of public shareholding of the listed entity.

Forborne Loans
The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Forward Looking Information
Incorporation of macroeconomic scenarios into the impairment calculations.

G

General Provisions
General Provisions are established for all Loans and Advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis in accordance with the Regulatory directives.

Guarantees
Primarily represent irrevocable assurances that a Bank will make payments in the event that its customer cannot meet its financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements.

Historical Cost Convention
Recording transactions at the actual value received or paid.

I

Incremental Borrowing Rate
The rate Bank uses to discount the future lease liabilities in recognition of Lease rentals and Right-of-Use assets.

Individually Significant Loans and Advances
Loans and Advances those are individually significant to the Bank and Impairment of which are measured individual/specific basis.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Individual Impairment Provisions
Individual impairment provisions are provisions held in account of individually significant Loans and Advances.

Individually Impaired Asset Cover
Impaired Assets Cover is the ratio of Individual impairment provision to total individually impaired assets.

Intangible Asset
An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/ services or for rental to others or for administrative purposes.

Interest Margin
Net interest income as a percentage of average total assets.

Interest Rate Risk
The risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

Interest Spread
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

GLOSSARY OF FINANCIAL & BANKING TERMS

Interest Earning Assets
Assets on which the Bank earns interest are considered as interest earning assets. These includes Loans and Advances, placements with banks, other interest bearing trading and non trading investments.

Investment Properties
Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use or sale.

K

Key Management Personnel
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Leverage Ratio
The leverage ratio measures how leveraged a bank capital is in relation to its consolidated assets, derivatives exposures and off-balance sheet items. The leverage ratio constrains the degree to which the bank can leverage its capital and improve the extent to which it can sustain negative shocks to its balance sheet.

Lifetime Expected Credit Losses
Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with Financial Liabilities.

Loans and Receivables
Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loss Given Default (LGD)
LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the Exposure at Default.

M

Market Capitalisation
Number of ordinary shares in issue multiplied by the market value of each share at the year end.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Moratorium Period
A moratorium period is a period during a loan term when the borrower is not obligated to make a payment. It is a waiting period before the borrower starts making fixed monthly payments.

N

Net Accommodation
Total net accommodation computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of five years or more.

Net Assets Value per Share
Total shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income
The difference between what a Bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds, subordinated term borrowings and inter-bank borrowings etc.

Net Open Position
Net Open Position or "NOP" means the net sum of all foreign currency assets and liabilities of a financial institution, inclusive of all of its spot and forward transactions and off balance sheet items in that foreign currency.

Net Stable Funding Ratio (NSFR)
NSFR measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Nostro Account
A foreign currency current account maintained with another Bank, usually but not necessarily a foreign correspondent Bank.

O

Off-Balance Sheet Transactions
Transactions not recognised as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

Operating Profit Margin Ratio
The Operating Profit Margin Ratio quantifies the Bank's operational efficiency by measuring Operating Profit as a percentage of Total Operating Income for the period. This ratio indicates how effectively the Bank converts its operating income into profit based solely on core operational performance.

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Open Credit Exposure Ratio
Total net non-performing Loans (Stage3) and Advances expressed as a percentage of regulatory capital base.

P

Price to Book Value
Shows a comparison of Bank's market price to Net Assets value per ordinary share.

Past Due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PDI bonds
PDI Bond means any past due interest bond issued by the Borrower under the financing plan.

Price Earnings Ratio
The current market price of a share divided by the earnings per share.

Principal Haircut
A principal haircut is a reduction in the amount of money owed on a loan or debt.

Projected Unit Credit Method
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of Default (PD)
PD is an estimate of the likelihood of default over a given time horizon.

Prudence
Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Purchased on Credit Impaired Financial Assets (POCI)
POCI assets are financial assets that are credit impaired on the initial recognition.

R

Ratio of Impaired Loans and Advances
Ratio for Impaired Loans and Advances is the ratio of gross impaired Loans and Advances portfolio as a percentage of gross Loans and Advances.

Related Parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repurchase Agreement
Contract to sell and subsequently repurchase securities at a specific date and price.

Re-scheduled Credit Facilities
Re-scheduled credit facilities are facilities which the original repayment terms have been amended due to deterioration in credit quality, while the respective facility is in the 'Non Performing' status as defined in the relevant regulatory directions.

Re-structured Credit Facilities
Re-structured credit facilities are credit facilities which the original repayment terms have been amended due to deterioration in credit quality while the respective facility is in the 'Performing' status as defined in the relevant regulatory directions.

Return on Assets (ROA)
Profit after tax divided by the average assets.

Return on Equity (ROE)
Profit after tax expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve
Reserves set aside for future distribution and investment.

Reverse Repurchase Agreement
Transaction involving the purchase of the securities by a bank or dealer and resale back to the seller at a future date and specified price.

Risk Weighted Assets
On-Balance Sheet assets and the credit equivalent of Off- Balance Sheet facilities multiplied by the relevant risk weighting factors.

Right-of-Use Assets
Right-of-Use Assets include assets recognised at the present value of future lease rentals less any amortisation and impairment accumulated at the date of reporting.

S

Segment Reporting
Segment reporting indicates the contribution to the revenue derived from business segments such as retail banking, corporate banking and treasury.

Shareholders' Funds
Total of stated capital, revenue reserves and capital reserves.

Stage 1 Financial Assets
When financial assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 2. This includes financial assets the credit risk of which have not been significantly increased since the origination.

Stage 2 Financial Assets
Financial assets that have shown a significant increase in credit risk since origination are considered as a stage2 financial asset. The Bank records an allowance for the LTECLs on stage 2 assets. These include financial assets where the credit risk has improved and the assets that have been reclassified from Stage 3.

GLOSSARY OF FINANCIAL & BANKING TERMS

Stage 3 Financial Assets
Credit impaired financial assets are considered as stage 3 assets. The Bank records an allowance for the LTECLs for Stage 3 assets.

Stage 3 Loans (Impaired Loans) to Total Loans Ratio
This ratio shows impaired Loan & Advances (Stage 3), net of Stage 3 impairment provisions, as a percentage of total on balance sheet credit facilities and their respective undrawn amounts.

Stage 3 Provision Cover
Stage 3 provision cover is calculated by dividing Loans & Advances impairment (Stage 3) by stage 3 Loans & Advances.

Standing Deposit Facility
Standing Deposit Facility allows the Central Bank of Sri Lanka to absorb liquidity from commercial banks without giving government securities in return to the banks. In this sense, the Standing Deposit Facility (SDF) is a collateral free arrangement that CBSL need not give collateral for liquidity absorption.

Statutory Reserve Fund
A reserve created as per the provisions of the Banking Act No. 30 of 1988.

Sovereign Debt Restructuring
A sovereign debt restructuring means when a country, considered as a 'sovereign', negotiates with its creditors to change the terms of its outstanding debt, usually by extending repayment periods, reducing interest rates, or lowering the total amount owed, to make it more manageable when facing financial difficulties and unable to service its full debt obligations; essentially, it's a process of renegotiating the terms of a nation's debt to avoid defaulting on payments.

Step-Up Bonds
A step-up bond is a bond that pays a lower initial interest rate but includes a feature that allows for rate increases at periodic intervals. The number and extent of the rate increase, as well as the timing, depends on the terms of the bond.

T

Total Tier 1 Capital
Total Tier 1 Capital comprise of Common Equity Tier 1 Capital and Additional Tier 1 Capital.

Tier 2 Capital
The Tier 2 Capital comprise of Eligible Subordinated Debt, 100% of impairment for assets in stage 1 and 50% of impairment for assets in assets in stage 2, subject to a maximum of 1.25% of Risk Weighted Assets for Credit Risk and approved Revaluation Surpluses on Freehold Land and Building.

Total Capital
Total Capital representing the sum of Total Tier 1 Capital and Tier 2 Capital.

Transaction Costs
Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Total Impairment Provision Cover Ratio
Total Impairment Cover depicts total impairment provision of Loans and Advances as a percentage of Total Gross Loans and Advances.

Twelve Month Expected Credit Losses (12mECL)
12mECLs are expected credit losses that result from all possible default events over a 12 month period. Stage 1 assets are subject to 12mECLs.

U

Undrawn Credit Lines
Credit facilities approved but not yet utilised by the clients as at the end of the reporting period.

Unit Trust
An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured
Repayment of the principal and interest not being secured by any specific asset.

V

Value Added
Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

Yield to Maturity
Discount rate at which the present value of future payments would equal the security's current price.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIRST ANNUAL GENERAL MEETING of PAN ASIA BANKING CORPORATION PLC will be held as a virtual meeting emanating from the Board Room of Pan Asia Banking Corporation PLC, No.450, Galle Road, Colombo 03 on 31st March 2026 at 9.30 a.m. for the following purposes;

1. To receive and consider the Report of the Board of Directors on the Affairs of the Bank and the Audited Financial Statements for the year ended 31st December 2025 with the Report of the Auditors thereon.
2. To declare a first & final Dividend of Rupees One (Rs.1/-) per Ordinary Share, as recommended by the Board of Directors.
3. To re-elect, Dharshanie Perera, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.
4. To re-elect, Ashoka Goonesekere, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.
5. To authorise the Directors to determine donations for the year 2026.
6 To appoint M/s KPMG, Chartered Accountants, as recommended by the Board of Directors as the auditors of the Bank and to authorise the Directors to determine their remuneration.

Notes :

1. A member entitled to participate and vote at the virtual meeting is entitled to appoint a proxy to participate and vote in his/her stead.
2. A proxy need not be a member of the Company. The form of proxy is enclosed herewith.

By Order of the Board



Nayantha Fernando
Company Secretary

16th February 2026

NOTES

NOTES

FORM OF PROXY

I/We .....

(NIC No/s.....) of.....

..... being

a shareholder/being shareholders of Pan Asia Banking Corporation PLC, hereby appoint

1.	Aravinda Perera	of Colombo or failing him
	B D A Perera	of Colombo or failing him
	Sandra Walgama	of Colombo or failing her
	Kawshi Amarasinghe	of Colombo or failing her
	Malik Ranasinghe	of Colombo or failing him
	Dharshanie Perera	of Colombo or failing her
	Ashoka Goonesekere	of Colombo or failing him
	Naleen Edirisinghe	of Colombo

2. .....

(NIC No.....) of .....

.....

as my/our* proxy to vote on my/our* behalf at the Thirty First Annual General Meeting of Pan Asia Banking Corporation PLC, to be held on 31st March 2026 at 9.30 a.m. and at any adjournment thereof.

I/We, the undersigned, hereby authorise my/our* proxy to vote for me/us* and on my/our* behalf in accordance with the preference as indicated below.

	For	Against
1. Resolution No. 1 To receive and consider the Annual Report of the Board of Directors on the Affairs of the Bank and the Audited Financial Statements for the year ended 31st December 2025 with the Report of the Auditors thereon.	☐	☐
2. Resolution No. 2 To declare a first & final Dividend of Rupees One (Rs.1/-) per Ordinary Share, as recommended by the Board of Directors.	☐	☐
3. Resolution No. 3 To re-elect Dharshanie Perera, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.	☐	☐
4. Resolution No. 4 To re-elect Ashoka Goonesekere, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.	☐	☐
5. Resolution No. 5 To authorise the Directors to determine the donations for the year 2026.	☐	☐
6. Resolution No. 6 To appoint the Auditors of the Bank, M/s KPMG and to authorise the Directors to determine their remuneration.	☐	☐

As witness I/we* have set my/our* hand/s* hereunto this ….....…day of ……..…….Two Thousand and Twenty Six.

……..……

Signature of Shareholder.

FORM OF PROXY

Note : Instructions as to completion of the Form of Proxy.

1. To be valid, this form of proxy must be deposited with the Company Secretary at the Registered Office situated at No.450, Galle Road, Colombo 3, or email to csy@pabcbank.com or fax to +94112301844 on or before 9.30 a.m. on the 29th of March, 2026 being at least 48 hours before the time appointed for holding the meeting.
2. In perfecting the form of proxy please ensure that all details are legible and the proxy appointed need not be a shareholder of Pan Asia Banking Corporation PLC.
3. If the shareholder is a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. A shareholder appointing a proxy (other than a Director of the Bank) to participate at the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy.
5. Please indicate with 'x' in the space provided how your proxy is to vote on each resolution.
6. Shareholders who are unable to participate through the online meeting are encouraged to duly complete the form of proxy clearly setting out their preference of vote under each matter set out in the Form of Proxy and to appoint one of the Directors of the Bank or any other person to act on their behalf in order that each shareholder's vote may be identified and recorded as if such shareholder were present.

* Delete whichever is inapplicable.

CORPORATE INFORMATION

Registered Name of the Company
Pan Asia Banking Corporation PLC

Legal Form
A Public Limited Liability Company incorporated in Sri Lanka on 06th March 1995 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. A Licensed Commercial Bank under the Banking Act No. 30 of 1988 and listed on the Colombo Stock Exchange.

Company Registration Number
PQ 48

Registered Office/Head Office
No. 450, Galle Road, Colombo 03. Sri Lanka.
Telephone : +94112565565
+94114667777
+94115167777
Fax : +94112565558

Call Center (24/7 Customer Service Hotline)
Telephone : +94114667222
Fax : +94112575023
SWIFT Code : PABSLKLX
E-mail : customerservice@pabcbank.com
Web Site : www.pabcbank.com

Tax Payer Identification Number (TIN)
134005700

Accounting Year End
31st December

Stock Exchange Listing
Ordinary Voting Shares - 442,561,629

Board of Directors
Aravinda Perera - Chairman
B D A Perera - Deputy Chairman/ Senior Independent Director
Sandra Walgama - Director
Kawshi Amarasinghe - Director
Malik Ranasinghe - Director
Dharshanie Perera - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO

Company Secretary
Nayantha Fernando

Mandatory Board Committees

Board Audit Committee
Ashoka Goonesekere - Chairman
Kawshi Amarasinghe - Director
Dharshanie Perera - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Integrated Risk Management Committee
Dharshanie Perera - Chairperson
Kawshi Amarasinghe - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Human Resources and Remuneration Committee
Sandra Walgama - Chairperson
Aravinda Perera - Director
B D A Perera - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Nominations and Governance Committee
B D A Perera - Chairman
Aravinda Perera - Director
Sandra Walgama - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Related Party Transactions Review Committee
Sandra Walgama - Chairperson
Dharshanie Perera - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Voluntary Board Committees

Board Credit Committee
Sandra Walgama - Chairperson
Aravinda Perera - Director
B D A Perera - Director
Malik Ranasinghe - Director
Naleen Edirisinghe - Director/CEO

Board Strategic Planning Committee
Aravinda Perera - Chairman
Kawshi Amarasinghe - Director
Malik Ranasinghe - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Recoveries Committee
B D A Perera - Chairman
Sandra Walgama - Director
Malik Ranasinghe - Director
Naleen Edirisinghe - Director/CEO

Board IT Steering Committee
Malik Ranasinghe - Chairman
Aravinda Perera - Director
B D A Perera - Director
Kawshi Amarasinghe - Director
Naleen Edirisinghe - Director/CEO

Board Sustainability Committee
Malik Ranasinghe - Chairman
Dharshanie Perera - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO

Auditors
Ernst & Young
Chartered Accountants
Rotunda Towers, No. 109, Galle Road,
P.O. Box 101, Colombo 03, Sri Lanka.

Credit Rating
National Long-Term Rating
Fitch Rating 'BBB (lka)' Stable Outlook

The above information is given based on the position as at 31st December 2025.

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PAN ASIA BANK
The Truly Sri Lankan Bank