

**PRADESHIYA SANWARDANA BANK****STATEMENT OF PROFIT OR LOSS**

Year ended 31 December 2025

	Note	2025 Rs.	2024 Rs.
Gross income	7	42,813,920,557	39,552,222,682
Interest income		40,438,816,011	37,922,124,939
Interest expenses		(16,211,340,287)	(18,367,644,729)
<b>Net interest income</b>	8	24,227,475,725	19,554,480,210
Fee and commission income		2,226,924,782	1,951,331,988
Fee and commission expenses		(818,871,224)	(597,798,919)
<b>Net fee and commission income</b>	9	1,408,053,557	1,353,533,069
Net trading gain/(loss)	10	34,594,517	(403,171,327)
Other operating income (net)	11	113,585,247	81,937,082
<b>Total operating income</b>		25,783,709,046	20,586,779,034
Impairment (charges)/reversal	12	(352,787,245)	832,607,642
<b>Net operating income</b>		25,430,921,802	21,419,386,676
<b>Less-Operating expenses</b>			
Personnel expenses	13	(12,907,172,512)	(11,944,838,711)
Depreciation and amortization expenses		(644,413,135)	(610,550,869)
Other expenses	14	(3,050,879,414)	(2,675,420,680)
<b>Operating profit before taxes</b>		8,828,456,741	6,188,576,416
Less : Value Added Tax on Financial Services		(3,061,130,567)	(2,617,138,233)
Social Security Contribution Levy		(425,280,486)	(361,560,652)
<b>Profit before Income tax expense</b>		5,342,045,688	3,209,877,531
Income tax (expense) /reversal	15	(2,924,334,996)	(1,934,428,043)
<b>Profit for the year</b>		2,417,710,692	1,275,449,488
<b>Earnings per share</b>			
Basic Earnings per share	16.1	4.31	2.27
Diluted Earnings per share	16.2	4.31	2.27

*Figures in brackets indicate deductions.*

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 73.

**PRADESHIYA SANWARDANA BANK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2025**

	Note	2025 Rs.	2024 Rs.
<b>Profit for the year</b>		<b>2,417,710,692</b>	1,275,449,488
<b>Other Comprehensive income/(expenses)</b>			
<b>Other Comprehensive income not to be reclassified to profit or loss</b>			
Actuarial gain on retirement benefit obligation	33.3	70,199,703	(1,075,753,719)
Deferred tax effect on actuarial gain on defined benefit plans	27.1	(21,059,911)	322,726,116
Revaluation gain on free hold lands and buildings		1,409,909,825	-
Deferred tax impact on revaluation reserve	27.1	(291,684,412)	-
<b>Total Other Comprehensive income for the year, net of taxes</b>		<b>1,167,365,205</b>	(753,027,603)
<b>Total comprehensive income for the year</b>		<b>3,585,075,898</b>	522,421,885

*Figures in brackets indicate deductions.*

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 73.

**PRADESHIYA SANWARDANA BANK**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2025**

	Note	2025 Rs.	2024 Rs.
<b>Assets</b>			
Cash and cash equivalent	18	4,869,722,062	827,778,892
Placements with banks	19	15,105,877,538	18,339,705,502
Equity instruments at fair value through profit or loss	20	312,739	264,680
Financial assets at amortized cost - Loans and receivables from other customers	21	283,613,706,196	227,167,843,090
Financial assets at amortized cost - Debt & other instruments	22	49,091,982,572	67,995,195,057
Equity instruments at fair value through other comprehensive income	23	153,434,669	153,434,669
Property, plant and equipment	24	2,740,262,712	1,255,230,096
Intangible assets	25	39,527,242	77,206,661
Right of use assets	26.1	1,034,604,984	1,059,813,006
Deferred tax assets	27	2,614,393,122	2,848,048,109
Other assets	28	3,012,339,040	4,106,834,929
<b>Total assets</b>		<b>362,276,162,876</b>	<b>323,831,354,691</b>
<b>Liabilities</b>			
Due to banks	29	34,889,573,456	36,412,871,655
Due to other customers	30	283,715,706,932	253,664,001,776
Current tax liabilities	31	1,333,938,809	531,164,074
Other liabilities	32	16,305,863,520	10,787,707,965
Retirement benefit obligation	33	4,057,860,699	4,047,465,661
<b>Total liabilities</b>		<b>340,302,943,416</b>	<b>305,443,211,130</b>
<b>Equity</b>			
Stated capital	34	8,521,864,568	8,521,864,568
Statutory Reserve Fund	35	1,073,081,767	952,196,232
Retained Earnings		5,851,648,804	4,110,111,527
Revaluation Reserve		1,118,225,414	-
Other Reserves	36	5,408,398,907	4,803,971,234
<b>Total shareholders' equity</b>		<b>21,973,219,460</b>	<b>18,388,143,561</b>
<b>Total equity and liabilities</b>		<b>362,276,162,876</b>	<b>323,831,354,691</b>
<b>Contingent liabilities and commitments</b>	39	<b>544,222,754</b>	<b>491,464,404</b>

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 73.

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

.....  
Asela Wijayabandara  
Chief Financial Officer

.....  
Asanga Tennakoon  
General Manager / CEO

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

.....  
Chairman/ Director

.....  
Director

29 January 2026  
Colombo

**PRADESHIYA SANWARDANA BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
Year ended 31 December 2025

	Stated Capital Note 34 Rs.	Statutory Reserve Fund Note 35 Rs.	Special Reserve Fund Note 36 Rs.	General Reserve Fund Note 36 Rs.	Revaluation Reserve Rs	Retained Earnings Rs.	Total Rs.
<b>Balance as at 01st January 2024</b>	8,521,864,568	888,423,757	742,814,085	3,742,294,776	-	3,970,324,488	17,865,721,674
<b>Total Comprehensive Income for the year</b>							
Profit for the year	-	-	-	-	-	1,275,449,488	1,275,449,488
Other comprehensive Income, net of tax	-	-	-	-	-	(753,027,603)	(753,027,603)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	522,421,885	522,421,885
<b>Transactions with equity holders, recognized directly in equity</b>							
Issued stated capital	-	-	-	-	-	-	-
Transferred to Statutory Reserve Fund	-	63,772,474	-	-	-	(63,772,474)	-
Transferred to Special Reserve Fund	-	-	63,772,474	-	-	(63,772,474)	-
Transferred to General Reserve Fund	-	-	-	255,089,898	-	(255,089,898)	-
<b>Transactions with equity holders, recognized directly in equity</b>	-	63,772,474	63,772,474	255,089,898	-	(382,634,846)	-
<b>Balance as at 31st December 2024</b>	<b>8,521,864,568</b>	<b>952,196,232</b>	<b>806,586,560</b>	<b>3,997,384,674</b>	<b>-</b>	<b>4,110,111,526</b>	<b>18,388,143,559</b>
<b>Balance as at 01st January 2025</b>	<b>8,521,864,568</b>	<b>952,196,232</b>	<b>806,586,560</b>	<b>3,997,384,674</b>	<b>-</b>	<b>4,110,111,526</b>	<b>18,388,143,559</b>
<b>Total Comprehensive Income for the year</b>							
Profit for the year	-	-	-	-	-	2,417,710,692	2,417,710,692
Actuarial gain on retirement benefit obligation	-	-	-	-	-	70,199,703	70,199,703
Deferred tax effect on actuarial gain on defined benefit plans	-	-	-	-	-	(21,059,911)	(21,059,911)
Revaluation gains of free hold lands and buildings	-	-	-	-	1,409,909,825	-	1,409,909,825
Deferred tax impact on revaluation reserve	-	-	-	-	(291,684,412)	-	(291,684,412)
<b>Total comprehensive income for the year</b>	-	-	-	-	1,118,225,413	2,466,850,484	3,585,075,898
<b>Transactions with equity holders, recognized directly in equity</b>							
Issued stated capital	-	-	-	-	-	-	-
Transferred to Statutory Reserve Fund	-	120,885,535	-	-	-	(120,885,535)	-
Transferred to Special Reserve Fund	-	-	120,885,535	-	-	(120,885,535)	-
Transferred to General Reserve Fund	-	-	-	483,542,138	-	(483,542,138)	-
<b>Transactions with equity holders, recognized directly in equity</b>	-	120,885,535	120,885,535	483,542,138	-	(725,313,208)	-
<b>Balance as at 31st December 2025</b>	<b>8,521,864,568</b>	<b>1,073,081,766</b>	<b>927,472,094</b>	<b>4,480,926,812</b>	<b>1,118,225,413</b>	<b>5,851,648,803</b>	<b>21,973,219,457</b>

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 73.

**STATEMENT OF CASH FLOWS**

**Year ended 31 December 2025**

	Note	2025 Rs.	2024 Rs.
<b>Cash flow from operating activities</b>			
Profit before tax		5,342,045,688	3,209,877,531
Adjustment for:			
<b>Non-cash items included in profit before tax</b>			
Depreciation of property, plant and equipment/ Amortization of ROU	24/26.1	596,475,819	555,538,312
Amortization of intangible assets	25	44,146,996	55,118,663
Interest expense on leases	26.2	57,553,240	19,921,980
Interest expense on debentures		-	-
Dividend income	10	(5,313,752)	(4,906,869)
Impairment charges	12	(352,787,245)	(832,607,642)
Changes in equity Instruments at fair value through profit or loss	10	(48,410)	(118,860)
Exchange gain/ (loss)	10	(29,232,355)	408,197,056
Charge for retirement benefit obligation	33.1	644,945,348	522,460,641
(Profit) / loss on sale of Property, plant and equipment	11	2,089,632	880,401
Recoveries of NPL loans (Written Off)	11	(84,378)	(102,827)
<b>Changes in operating assets</b>			
Net change in loans and receivables from other customers		(56,997,050,092)	(31,540,888,059)
Net Change in other assets		858,123,170	2,146,624,644
Net change in Financial investments at amortized cost-Debt & other instruments		3,498,387,049	2,064,429,320
<b>Changes in operating liabilities</b>			
Net change in due to banks		(2,413,745,044)	(2,079,693,019)
Net change in due to other customers		30,051,705,156	27,584,387,004
Net change in other liabilities		5,535,226,329	3,469,447,459
Gratuity paid		(489,112,921)	(351,694,352)
Tax Paid		(2,200,649,597)	(464,979,339)
<b>Net cash generated from/(used in) operating activities</b>		<b>(15,857,325,368)</b>	<b>4,761,892,044</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, plant and equipment	24	(347,611,800)	(402,413,181)
Purchase of intangible assets	25	(6,367,979)	(19,922,968)
Investment in Unit Trusts	22	1,501,725,766	(1,501,725,766)
Investment in Fixed deposits (more than three months)	22.2	(5,548,835,139)	4,557,466,935
Proceeds from the sale of property, plant and equipment		2,089,632	880,401
Dividend Income Received	10	5,313,752	4,906,869
<b>Net cash (used in)/from investing activities</b>		<b>(4,393,685,769)</b>	<b>2,639,192,290</b>
<b>Cash flows from financing activities</b>			
Payment of principal of Operating Lease	26.2	(385,855,719)	(364,606,031)
Net proceeds from the Term Loans	29	(1,523,298,199)	(9,795,607,628)
Redemption of Debentures		-	-
Interest paid on debentures		-	-
<b>Net cash from financing activities</b>		<b>(1,909,153,920)</b>	<b>(10,160,213,660)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(22,160,165,057)</b>	<b>(2,759,129,326)</b>
Cash & cash equivalents at the beginning of the year		59,677,466,266	62,436,595,592
<b>Cash and cash at the end of the year</b>		<b>37,517,301,210</b>	<b>59,677,466,266</b>
<b>Reconciliation of Cash &amp; Cash Equivalents</b>			
Cash and cash equivalent	18	4,869,722,061	1,993,732,971
Favorable balances with banks			
Placements with Banks		23,228,779,171	35,016,600,395
Fixed deposits less than three months	22.2	9,418,799,977	22,667,132,900
Unfavorable balances with banks		-	-
		<b>37,517,301,210</b>	<b>59,677,466,266</b>

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 73.

**PRADESHIYA SANWARDANA BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2025**

<b>7 GROSS INCOME</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Interest income (Note 8.1)	40,438,816,011	37,922,124,939
Fee and commission income (Note 9)	2,226,924,782	1,951,331,988
Net trading gain/(loss) (Note 10)	34,594,517	(403,171,327)
Other operating income (Note 11)	113,585,247	81,937,082
<b>Total Gross Income</b>	<b>42,813,920,557</b>	<b>39,552,222,682</b>
<b>8 NET INTEREST INCOME</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>8.1 Interest Income</b>		
Placements with banks	1,363,523,826	873,253,478
Financial assets at amortized cost		
Loans and receivables from other customers	34,065,704,281	29,014,857,316
Debt & other instruments	5,009,587,904	8,034,014,145
<b>Total interest income</b>	<b>40,438,816,011</b>	<b>37,922,124,939</b>
<b>8.2 Interest expense</b>		
Due to banks	(1,742,100,128)	(2,044,712,241)
Due to other customers	(14,408,553,765)	(16,304,613,767)
Interest expense on lease liabilities	(60,686,394)	(18,318,721)
<b>Total interest expenses</b>	<b>(16,211,340,287)</b>	<b>(18,367,644,729)</b>
<b>Net interest income</b>	<b>24,227,475,725</b>	<b>19,554,480,210</b>
<b>9 NET FEE AND COMMISSION INCOME</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Fee and commission income	2,226,924,782	1,951,331,988
Fee and commission expenses	(818,871,224)	(597,798,919)
<b>Net fee and commission income</b>	<b>1,408,053,557</b>	<b>1,353,533,069</b>
<b>Comprising</b>		
Loans	1,693,244,152	1,463,089,109
Trade and remittances	10,580,789	12,330,527
Deposits	(637,020,422)	(470,823,976)
Others	341,249,038	348,937,408
<b>Net fee and commission income</b>	<b>1,408,053,557</b>	<b>1,353,533,069</b>
<b>10 NET TRADING GAIN/(LOSS)</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Financial assets recognized through profit or loss - fair value change	48,410	118,860
Exchange (loss)/ gain	29,232,355	(408,197,056)
Dividend income	5,313,752	4,906,869
<b>Total</b>	<b>34,594,517</b>	<b>(403,171,327)</b>

**PRADESHIYA SANWARDANA BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2025**

11	NET OTHER OPERATING INCOME	2025 Rs.	2024 Rs.
	Gain/ (Loss) on disposal of property, plant and equipment	2,089,632	880,401
	Recovery of loans written off	84,378	102,827
	Other income	111,411,238	80,953,854
	<b>Total</b>	<b>113,585,247</b>	<b>81,937,082</b>
12	IMPAIRMENT CHARGES	2025 Rs.	2024 Rs.
	Financial assets at amortized cost - Loans and receivables from other customers (Note 21.2)	(551,271,364)	1,201,964,034
	Financial assets measured at amortized cost - debt and other instruments (Note 22.3)	(5,829,870)	973,307
	Undrawn credit commitments and financial guarantees (Note 39.1.1)	(7,432,986)	12,084,608
	Other assets (Note 28.1)	211,746,975	(382,414,307)
	<b>Net impairment (charge) / reversal for loans and other losses</b>	<b>(352,787,245)</b>	<b>832,607,642</b>
13	PERSONNEL EXPENSES	2025 Rs.	2024 Rs.
	Salary and bonus	8,646,058,616	7,724,954,038
	Contributions to EPF/ETF	1,096,342,021	1,130,316,993
	Contributions to defined benefit plans	654,631,595	537,963,233
	Others	2,510,140,281	2,551,604,448
	<b>Total</b>	<b>12,907,172,512</b>	<b>11,944,838,711</b>
14	OTHER EXPENSES	2025 Rs.	2024 Rs.
	Directors' emoluments	3,907,866	3,455,852
	Auditors' remunerations	6,407,537	3,248,292
	Professional and legal expenses	24,423,787	9,801,398
	Office administration and establishment expenses	2,322,154,213	2,102,259,657
	Computerization expenses	428,511,985	331,800,166
	Business tax expenses	3,212,812	2,905,451
	Other commission paid	180,272	329,238
	Deposit Insurance Premium	232,144,955	211,576,401
	Crop insurance levy	24,182,456	4,038,776
	Staff security deposits interest	5,740,839	6,000,526
	Capital loss on pawning advance	12,692	4,923
	<b>Total</b>	<b>3,050,879,414</b>	<b>2,675,420,680</b>

15 INCOME TAX EXPENSE	2025 Rs.	2024 Rs.
<b>15.1 Amounts Recognized in Profit or Loss</b>		
<b>Current Tax Expense</b>		
Tax on current year's profits (Note 15.3)	2,674,311,613	1,259,739,071
Under/(Over) provision in respect of previous years	<u>329,112,719</u>	<u>239,993,922</u>
	<u>3,003,424,332</u>	<u>1,499,732,993</u>
<b>Deferred Tax Expense</b>		
Reversal on temporary differences (Note 27.2)	<u>(79,089,336)</u>	434,695,051
	<u>(79,089,336)</u>	434,695,051
<b>Total income tax expense recognized in profit or loss</b>	<u>2,924,334,996</u>	<u>1,934,428,043</u>
<b>15.2 Amounts Recognized in Other Comprehensive Income</b>		
<b>Deferred Tax Expense</b>		
Reversal on temporary differences (Note 27.2)	<u>312,744,323</u>	(322,726,116)
<b>Total income tax expense recognized in other comprehensive income</b>	<u>312,744,323</u>	<u>(322,726,116)</u>
<b>15.3 Reconciliation of the accounting profit to income tax expense</b>	<b>2025</b>	<b>2024</b>
	Rs.	Rs.
<b>Profit before income tax expense</b>	5,342,045,688	3,209,877,531
Exempt income		
Interest Income	(1,072,993,238)	(1,529,331,416)
Add : Disallowable expenses	5,883,118,793	3,530,914,546
Less : Allowable expenses	<u>(1,232,485,447)</u>	<u>(1,007,423,557)</u>
<b>Taxable Income from Business</b>	8,919,685,796	4,204,037,104
Tax liability for the year ending	30%/15%	30%/15%
Tax @ 30%	2,674,311,613	1,259,739,071
Tax @ 15%	-	-
<b>Tax on current year's profits</b>	<u>2,674,311,613</u>	<u>1,259,739,071</u>
Deferred tax reversal (Note 27.2)	<u>(79,089,336)</u>	434,695,051
Under/(Over) provision in respect of previous years	<u>329,112,719</u>	<u>239,993,922</u>
<b>Income tax expense</b>	<u>2,924,334,996</u>	<u>1,934,428,043</u>
<b>Effective current tax rate</b>	<u>54.74%</u>	<u>60.26%</u>
<b>15.4 Reconciliation of effective tax rate</b>	<b>2025</b>	<b>2024</b>
	%	%
	Rs.	Rs.
Profit before income tax expense	5,342,045,688	3,209,877,531
Income tax for the period	30.00% 1,602,613,706	30.00% 962,963,259
Tax effect of expenses that are not deductible for tax purposes	33.04% 1,764,935,638	33.00% 1,059,274,364
Tax effect of expenses that are deductible for tax purposes	-6.92% (369,745,634)	-9.42% (302,227,067)
Exempt income	-6.06% (323,492,097)	-14.34% (460,271,485)
Tax on Dividend Income	0.00% -	0.00% -
Deferred tax reversal (Note 27.2)	-1.5% (79,089,336)	13.5% 434,695,051
(Over)/ under provision in respect of previous years	6.16% 329,112,719	7.48% 239,993,922
<b>Total Income Tax Expense</b>	<u>54.74% 2,924,334,996</u>	<u>60.26% 1,934,428,043</u>

Except for the Dividend income receipts, current tax on profits from Banking and Leasing businesses has been computed at the rate of 30% for the year of assessment, dividend income taxed at the rate of 15%. Apart from that, Interest received on Foreign currency accounts are exempted from Income Tax.

The Bank applied the revised rate of 30% in line with the inland revenue amendments Act No.45 of 2022 to calculate the income tax liability and deferred tax assets/liabilities as at 31st December 2025.

## 16 EARNINGS PER SHARE

### 16.1 Basic Earnings per Share

Basic Earnings per Share has been calculated by dividing Profit after Tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31 December 2025 and 31 December 2024.

For the Year ended 31st December	2025	2024
Profit for the year attributable to ordinary equity holders of the Bank (Rs.)	2,417,710,692	1,275,449,488
Weighted average number of ordinary shares in issue (No.)	561,484,675	561,484,675
<b>Basic earnings per ordinary share</b>	<u>4.31</u>	<u>2.27</u>

### 16.2 Diluted Earnings per Share

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

**17 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

As at 31 December 2025	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>					
Cash and cash equivalent	18	-	4,869,722,061	-	4,869,722,061
Placements with banks	19	-	15,105,877,538	-	15,105,877,538
Equity Instruments at fair value through profit or loss	20	312,739	-	-	312,739
Financial assets at amortized cost-Loans and receivables from other customers	21	-	283,613,706,196	-	283,613,706,196
Financial investments at amortized cost-Debt & other instruments	22	-	49,091,982,571	-	49,091,982,571
Equity Instruments at fair value through other comprehensive income	23	-	-	153,434,669	153,434,669
Other financial assets	28	-	616,018,509	-	616,018,509
<b>Total financial assets</b>		<b>312,739</b>	<b>353,297,306,876</b>	<b>153,434,669</b>	<b>353,451,054,284</b>

As at 31 December 2025	Note	Financial Liabilities measured at fair value through other profit or loss	Financial Liabilities measured at amortized cost	Financial Liabilities measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
<b>Financial Liabilities</b>					
Due to banks	29	-	34,889,573,456	-	34,889,573,456
Due to other customers	30	-	283,715,706,932	-	283,715,706,932
Other liabilities	32	-	14,109,307,012	-	14,109,307,012
<b>Total financial liabilities</b>		<b>-</b>	<b>332,714,587,400</b>	<b>-</b>	<b>332,714,587,400</b>

As at 31 December 2024	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>					
Cash and cash equivalent	18	-	827,778,892	-	827,778,892
Placements with banks	19	-	18,339,705,502	-	18,339,705,502
Financial assets held-for-trading/Equity Instruments at fair value through profit or loss	20	264,680	-	-	264,680
Financial assets at amortized cost-Loans and receivables from other customers	21	-	227,167,843,090	-	227,167,843,090
Financial assets at amortized cost-Debt & other instruments	22	-	67,995,195,057	-	67,995,195,057
Equity Instruments at fair value through other comprehensive income	23	-	-	153,434,669	153,434,669
Other financial assets	28	-	3,061,819,687	-	3,061,819,687
<b>Total financial assets</b>		<b>264,680</b>	<b>317,392,342,226</b>	<b>153,434,669</b>	<b>317,546,041,575</b>

As at 31 December 2024	Note	Financial Liabilities measured at fair value through other profit or loss	Financial Liabilities measured at amortized cost	Financial Liabilities measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
<b>Financial Liabilities</b>					
Due to banks	29	-	36,412,871,655	-	36,412,871,655
Due to other customers	30	-	253,664,001,775	-	253,664,001,775
Other liabilities	32	-	8,899,595,789	-	8,899,595,789
<b>Total financial liabilities</b>		<b>-</b>	<b>298,976,469,220</b>	<b>-</b>	<b>298,976,469,220</b>

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<b>18</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2025</b>	<b>2024</b>
		<b>Rs.</b>	<b>Rs.</b>
	Cash in hand	<b>1,316,689,962</b>	1,057,585,796
	Other bank balances	<b>3,553,032,099</b>	(229,806,905)
		<b><u>4,869,722,061</u></b>	<b><u>827,778,892</u></b>

<b>19</b>	<b>PLACEMENTS WITH BANKS</b>	<b>2025</b>	<b>2024</b>
		<b>Rs.</b>	<b>Rs.</b>
	Money market placements	<b>15,105,877,538</b>	18,339,705,502
	<b>Total placements with banks</b>	<b><u>15,105,877,538</u></b>	<b><u>18,339,705,502</u></b>

**20 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2025			2024		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
<b>Quoted Equities</b>						
PMF Finance PLC	600	5,160	7,739	600	5,160	4,680
Seylan Development PLC	10,000	140,000	305,000	10,000	140,000	260,000
	<b>10,600</b>	<b>145,160</b>	<b>312,739</b>	<b>10,600</b>	<b>145,160</b>	<b>264,680</b>

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**21 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES FROM OTHER CUSTOMERS**

	2025 Rs.	2024 Rs.
Gross loans and receivables (Note 21.1)	302,539,764,806	244,788,393,686
(Less): Staff loan fair value adjustment	<u>(1,664,274,672)</u>	<u>(911,447,410)</u>
	300,875,490,135	243,876,946,275
Less: Expected Credit Loss Allowance - Individual Impairment (Note 21.2.1)	<u>(1,692,215,124)</u>	<u>(1,366,955,154)</u>
Less: Expected Credit Loss Allowance - Collective Impairment (Note 21.2.2)	<u>(15,569,568,815)</u>	<u>(15,342,148,031)</u>
<b>Net loans and receivables from other customers</b>	<b><u>283,613,706,196</u></b>	<b><u>227,167,843,090</u></b>

**21.1 Analysis of Financial Assets at Amortized Cost - Loans and Receivables from Other Customers**

	2025 Rs.	2024 Rs.
<b>21.1.1 By product</b>		
Pawning	85,026,671,887	59,382,717,060
Staff loans	7,554,311,898	6,539,021,827
Leasing	3,216,311,065	1,752,917,987
Short-term	20,944,481,108	18,792,369,559
Long-term	<u>185,797,988,847</u>	<u>158,321,367,252</u>
<b>Gross total</b>	<b><u>302,539,764,806</u></b>	<b><u>244,788,393,686</u></b>
<b>21.1.2 By currency</b>		
Sri Lankan rupee	<u>302,539,764,806</u>	<u>244,788,393,686</u>
<b>Gross total</b>	<b><u>302,539,764,806</u></b>	<b><u>244,788,393,686</u></b>
<b>21.1.3 By industry</b>		
Agriculture and fishing	38,173,776,628	37,946,775,084
Manufacturing	37,839,109,192	32,715,057,687
Leasing	3,216,311,065	1,752,917,987
Transport	63,404,635	38,689,710
Construction /housing	14,072,155,139	13,802,551,910
Traders	27,011,607,216	28,901,233,498
Others (consumptions/against deposit/staff/tourism)	<u>182,163,400,930</u>	<u>129,631,167,810</u>
<b>Gross total</b>	<b><u>302,539,764,806</u></b>	<b><u>244,788,393,686</u></b>

	2025 Rs.	2024 Rs.
<b>21.2 Expected Credit Loss Allowance</b>		
<b>21.2.1 Individual Impairment</b>		
Balance as at 01 January	1,366,955,154	1,485,177,219
Net charge to profit or loss	325,259,970	(118,222,065)
<b>Balance as at 31 December</b>	<b>1,692,215,124</b>	<b>1,366,955,154</b>
<b>21.2.2 Collective Impairment</b>		
Balance as at 01 January	15,342,148,031	16,426,679,281
Net charge to profit or loss	226,011,394	(1,083,741,969)
Recoveries of Advances Written Off in Previous Year	-	(102,827)
Other movements / Write off	1,409,388	(686,454)
<b>Balance as at 31 December</b>	<b>15,569,568,813</b>	<b>15,342,148,031</b>

**21.3 Analysis of Loans and Receivables from Other Customers based on Exposure to Credit Risk**

As at 31 December 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loans	-	1,167,123,366	1,779,036,413	2,946,159,780
<u>Loans subjected to collective impairment</u>				
Term Loan Other	7,917,208,888	840,893,005	420,322,599	9,178,424,492
Term Loan Industrial	8,499,672,358	3,131,361,484	4,391,652,003	16,022,685,845
Term Loan Commercial	23,494,306,740	6,376,304,520	4,872,318,013	34,742,929,274
Term Loan Agriculture	18,329,575,902	3,888,538,426	3,806,818,436	26,024,932,764
Term Loan Housing	65,752,784,926	6,686,208,430	4,925,713,436	77,364,706,792
Refinance - Agriculture	8,760,506,713	1,999,755,521	970,836,410	11,731,098,645
Refinance - Commercial	1,271,867,476	711,931,194	478,858,390	2,462,657,060
Refinance - Industrial	5,546,209,845	2,920,306,700	744,606,539	9,211,123,084
Refinance - Other	61,820,642	80,146,751	328,837,963	470,805,356
Liyaisura	-	-	24,867,562	24,867,562
Pawning	82,991,143,136	1,907,273,893	128,254,858	85,026,671,887
Leasing	2,445,411,257	539,732,673	50,964,605	3,036,108,535
Staff loans	7,495,953,229	24,393,094	33,965,575	7,554,311,898
Loans Against Deposits	15,829,444,635	767,071,572	28,178,999	16,624,695,205
SME	-	-	117,586,627	117,586,627
<b>Gross loans to &amp; receivable from other customers</b>	<b>248,395,905,747</b>	<b>31,041,040,630</b>	<b>23,102,818,429</b>	<b>302,539,764,806</b>
Impairment for expected credit losses	(3,803,675,302)	(2,453,708,018)	(11,004,400,618)	(17,261,783,938)
<b>Net loans to &amp; receivable from other customers *</b>	<b>244,592,230,445</b>	<b>28,587,332,611</b>	<b>12,098,417,811</b>	<b>285,277,980,868</b>
<b>As at 31 December 2024</b>	<b>Stage 1 Rs.</b>	<b>Stage 2 Rs.</b>	<b>Stage 3 Rs.</b>	<b>Total Rs.</b>
Individually impaired loans	-	878,876,145	1,977,478,560	2,856,354,705
<u>Loans subjected to collective impairment</u>				
Term Loan Other	7,288,349,857	733,222,631	436,734,152	8,458,306,641
Term Loan Industrial	6,728,758,383	3,854,091,792	4,102,418,789	14,685,268,964
Term Loan Commercial	16,519,254,172	6,580,485,416	5,166,204,941	28,265,944,529
Term Loan Agriculture	14,218,191,524	4,856,012,861	3,724,836,687	22,799,041,072
Term Loan Housing	41,052,903,904	6,842,811,118	5,359,119,472	53,254,834,494
Refinance	15,219,554,071	11,315,171,625	5,192,008,072	31,726,733,768
Liyaisura	-	-	27,846,122	27,846,122
Pawning	55,901,448,812	3,417,723,023	82,245,548	59,401,417,383
Leasing	1,318,618,752	268,238,725	97,832,743	1,684,690,221
Staff loans	6,478,456,663	21,790,917	38,786,248	6,539,033,827
Loans Against Deposits	14,200,999,215	754,729,470	15,082,914	14,970,811,599
SME	-	-	118,110,361	118,110,361
<b>Gross loans to &amp; receivable from other customers</b>	<b>178,926,535,353</b>	<b>39,523,153,725</b>	<b>26,338,704,609</b>	<b>244,788,393,686</b>
Impairment for expected credit losses	(2,887,421,434)	(2,789,899,348)	(11,031,782,404)	(16,709,103,187)
<b>Net loans to &amp; receivable from other customers *</b>	<b>176,039,113,918</b>	<b>36,733,254,376</b>	<b>15,306,922,205</b>	<b>228,079,290,499</b>

\* before zero rated loan and staff loan adjustments

	2025 Rs.	2024 Rs.
<b>22 FINANCIAL ASSETS AT AMORTISED COST-DEBT AND OTHER INSTRUMENTS</b>		
Quoted debentures (Note 22.1)	1,153,354,815	1,661,984,951
Government debt securities-Treasury Bills	8,122,901,633	16,676,894,894
Government debt securities-Treasury Bonds	4,751,907,747	5,385,443,416
Investment In Unit Trust	-	1,501,725,766
Investment in Fixed Deposits (Note 22.2)	35,071,034,738	42,770,532,521
<b>Total financial assets at amortized cost</b>	<b>49,099,198,933</b>	<b>67,996,581,548</b>
Less: Expected Credit Loss Allowance (Note 22.3)	(7,216,361)	(1,386,491)
<b>Net financial assets at amortized cost</b>	<b>49,091,982,571</b>	<b>67,995,195,057</b>

**22.1 Quoted Debentures**

	2025			2024		
	No of Debentures	Cost of Investment Rs.	Amortized Cost Rs.	No of Debentures	Cost of Investment Rs.	Amortized Cost Rs.
DFCC	-	-	-	5,000,000	500,000,000	508,630,137
Seylan Bank	1,077,200	107,720,000	115,316,473	1,077,200	107,720,000	115,316,473
Bank of Ceylon	10,000,000	1,000,000,000	1,038,038,341	10,000,000	1,000,000,000	1,038,038,341
<b>Total</b>	<b>11,077,200</b>	<b>1,107,720,000</b>	<b>1,153,354,815</b>	<b>16,077,200</b>	<b>1,607,720,000</b>	<b>1,661,984,952</b>

**As at 31 December**

	2025 Rs.	2024 Rs.
<b>22.2 Investment in Fixed Deposits</b>		
Fixed deposits less than three months	9,418,799,977	22,667,132,900
Fixed deposits more than three months	25,652,234,761	20,103,399,621
<b>Total</b>	<b>35,071,034,738</b>	<b>42,770,532,521</b>

**22.2.1 Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments**

**22.2.1.1 By Currency**

Sri Lankan Rupee	15,595,901,736	24,627,980,380
United States Dollar	19,475,133,002	18,142,552,141
<b>Total Financial assets measured at amortised cost</b>	<b>35,071,034,738</b>	<b>42,770,532,521</b>

**22.2.1.2 By Collateralisation**

Pledged as collateral	2,072,086,197	1,985,570,901
Unencumbered	32,998,948,541	40,784,961,620
<b>Total Financial assets measured at amortised cost</b>	<b>35,071,034,738</b>	<b>42,770,532,521</b>

**22.2.1.3 Reconciliation for Financial Assets Measured at Amortised Cost - Debt and Other Instruments**

Balance as at 1 January	25,224,662,537	61,100,245,774
Net Acquisitions and Maturities during the Year	(11,196,498,342)	(35,874,196,746)
Less: Expected Credit Loss Allowance (Note 22.3)	(7,216,361)	(1,386,491)
<b>Balance as at 31 December</b>	<b>14,020,947,834</b>	<b>25,224,662,537</b>

**22.3 Expected Credit Loss Allowance**

Balance as at 1st January	1,386,491	2,359,798
Net Charge (Reversal) for the year	5,829,870	(973,307)
<b>Balance as at 31 December</b>	<b>7,216,361</b>	<b>1,386,491</b>

**23 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

**As at 31st December**

	2025 Rs.	2024 Rs.
Unquoted Equity Securities (Note 23.1)	153,434,669	153,434,669
	<b>153,434,669</b>	<b>153,434,669</b>

**23.1 Unquoted Equity Securities**

As at 31st December	2025			2024		
	No. of Shares/ Percentage	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
CRIB	1,821	2,289,919	2,289,919	1,821	2,289,919	2,289,919
NCGI	15,114,475	15,115,485	151,144,750	15,114,475	15,115,485	151,144,750
<b>Total</b>	<b>15,116,296</b>	<b>17,405,404</b>	<b>153,434,669</b>	<b>15,116,296</b>	<b>17,405,404</b>	<b>153,434,669</b>

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**24 PROPERTY, PLANT AND EQUIPMENT**

	<b>2025</b>								
	<b>Land and Buildings</b>	<b>Leasehold properties</b>	<b>Computer, Hardware</b>	<b>Office, Equipment, Furniture and Fittings</b>	<b>Motor Vehicles</b>	<b>Partition &amp; Fittings</b>	<b>Work-in Progress</b>	<b>Other</b>	<b>Total</b>
	<i>Rs.</i>		<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>			<i>Rs.</i>
<b>Cost</b>									
Opening balance as at 01 January 2025	813,598,590		1,250,590,990	1,544,158,987	386,359,308	578,110,621	6,076,164	657,900	4,579,552,559
Additions	709,176		128,973,878	130,508,417	-	77,848,860	9,571,469		347,611,800
Revaluation	1,184,153,499								1,184,153,499
Disposals	-		(19,803,943)	(22,171,445)	-	(54,167)			(42,029,556)
Write off	-		-	-	-	-	-		-
Transfers during the Year	-		-	-	-	-	-	-	-
Reclassification Adjustments	(1,916,920)		(178,250)	(1,392,275)	-	(297,110)	-		(3,784,556)
<b>Closing balance as at 31 December 2025</b>	<b>1,996,544,345</b>	<b>-</b>	<b>1,359,582,675</b>	<b>1,651,103,683</b>	<b>386,359,308</b>	<b>655,608,204</b>	<b>15,647,633</b>	<b>657,900</b>	<b>6,065,503,748</b>
<b>(Less): Accumulated depreciation</b>									
Opening balance as at 01 January 2025	282,337,883		840,102,628	1,349,683,924	386,275,106	465,922,922	-		3,324,322,464
Revaluation	(220,394,496)								(220,394,496)
Charge for the year	27,339,100		127,274,799	68,762,296	-	41,138,700	-		264,514,895
Disposals	-		(19,801,226)	(22,172,459)	-	(54,149)	-		(42,027,835)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	-	-	-	-		-
Reclassification Adjustments	(1,150,000)		(25,570)	298,676	-	(297,098)	-		(1,173,992)
<b>Closing balance as at 31 December 2025</b>	<b>88,132,487</b>	<b>-</b>	<b>947,550,630</b>	<b>1,396,572,436</b>	<b>386,275,106</b>	<b>506,710,375</b>	<b>-</b>	<b>-</b>	<b>3,325,241,035</b>
<b>Net book value as at 31 December 2025</b>	<b>1,908,411,858</b>	<b>-</b>	<b>412,032,044</b>	<b>254,531,246</b>	<b>84,202</b>	<b>148,897,829</b>	<b>15,647,633</b>	<b>657,900</b>	<b>2,740,262,712</b>

**PRADESHIYA SANWARDANA BANK**  
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24 PROPERTY, PLANT AND EQUIPMENT (Contd...)

	2024								
	Land and Buildings	Leasehold properties	Computer Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Working Progress	Partition & Fittings	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>									
Opening balance as at 01 January 2024	726,085,636		1,076,462,080	1,470,703,090	387,032,835	531,207,385	67,337,917	657,900	4,259,486,845
Additions	87,607,823		190,091,893	77,278,669	-	47,434,796	-		402,413,181
Disposals	(94,869)		(15,517,536)	(3,146,986)	(673,527)	(623,524)			(20,056,442)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	-	-	-	(61,261,754)	-	(61,261,754)
Reclassification Adjustments			(445,448)	(675,786)	-	91,964	-		(1,029,270)
<b>Closing balance as at 31 December 2024</b>	<b>813,598,590</b>	<b>-</b>	<b>1,250,590,990</b>	<b>1,544,158,987</b>	<b>386,359,308</b>	<b>578,110,621</b>	<b>6,076,164</b>	<b>657,900</b>	<b>4,579,552,559</b>
<b>(Less): Accumulated depreciation</b>									
Opening balance as at 01 January 2024	255,277,965		743,722,281	1,290,939,341	386,944,823	420,774,072	-		3,097,658,483
Charge for the year	27,154,786		111,904,827	60,167,627	3,799	45,698,846	-		244,929,885
Disposals	(94,868)		(15,508,070)	(3,146,797)	(673,516)	(623,510)	-		(20,046,762)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	0	-	-	-		0
Reclassification Adjustments	-		(16,411)	1,723,753	-	73,514	-		1,780,856
<b>Closing balance as at 31 December 2024</b>	<b>282,337,883</b>	<b>-</b>	<b>840,102,628</b>	<b>1,349,683,924</b>	<b>386,275,106</b>	<b>465,922,922</b>	<b>-</b>	<b>-</b>	<b>3,324,322,464</b>
<b>Net book value as at 31 December 2024</b>	<b>531,260,707</b>	<b>-</b>	<b>410,488,362</b>	<b>194,475,063</b>	<b>84,202</b>	<b>112,187,699</b>	<b>6,076,164</b>	<b>657,900</b>	<b>1,255,230,096</b>

**24.1 Fully Depreciated Property, Plant and Equipment**

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

<b>As at 31 December</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Asset Class</b>		
Building	<b>8,215,520</b>	8,215,520
Computer, Hardware	<b>633,074,983</b>	562,676,819
Office, Equipment, Furniture and Fittings	<b>1,163,373,207</b>	940,067,406
Motor Vehicles	<b>372,324,294</b>	315,365,532
Partition & Fittings	<b>349,256,431</b>	324,675,399
Software	<b>341,687,880</b>	366,809,102
	<b><u>2,867,932,315</u></b>	<b><u>2,517,809,777</u></b>

**24.2 Title restrictions on property, plant and equipment**

There were no title restrictions on property, plant and equipment of the Bank as at the reporting date.

**24.3 Property, plant and equipment pledged as security for liabilities**

No freehold property, plant and equipment have been pledged as security for any liability.

**24.4 Compensation from third parties for items of property, plant and equipment**

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

**24.5 Temporally idle property, plant and equipment**

There were no temporally idle property, plant and equipment as at the reporting date.

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**24.6 Freehold Lands and Buildings at Cost**

The details of freehold land and buildings held by the Bank as at 31st December 2025 are as follows:

Name of Premises and address	Extent (Perches)	Building (Square feet)	Date of valuation	Cost of Land	Cost of Building	Total Value	Accumulated Depreciation	Written down value
				Rs	Rs	Rs	Rs	Rs
H/O - No 933, Kandy Rd, Wedamulla, Kelaniya	50.4	5,375	March 5, 2012	142,244,280	140,192,136	282,436,416	84,789,050	197,647,366
<b>Central Province</b>								
Matale -No 62, Main Street, Matale	4.8	2,280	December 26, 2014	-	11,915,631	11,915,631	6,561,758	5,353,873
Dambulla - No734, Anuradhapura Road, Dambulla	8.2	2,210	December 18, 2003	565,000	21,277,952	21,842,952	4,058,098	17,784,854
Wilgamuwa -Hettipola, Wilgamuwa	38.0	1,740	August 24, 2009	-	10,469,862	10,469,862	7,452,670	3,017,192
Agarapathana - No158, Hoolbrook, Agarapathana	10.8	1,598	August 17, 2012	-	1,260,000	1,260,000	719,999	540,001
Naula- 26,Dambulla Road,Naula	20.0	1,640	February 25, 1998	2,471,252	8,600,539	11,071,791	5,161,242	5,910,549
Laggala-New Town -Laggala	40.0	3,261		-	23,565,250	23,565,250	7,763,620	15,801,630
<b>North Central Province</b>								
Mihinthale - Trincomalee Road, Mihinthale	20.0	6,359	December 30, 2005	0	25,337,078	25,337,078	10,499,020.78	14,838,058
Medawachchiya - Mannar Road, Madawachchiya	34.0	4,371	March 19, 2013	-	16,192,223	16,192,223	10,524,944.95	5,667,278
Galenbindunuwewa - Pola Road, Galenbindunuwewa	70.0	1,687	March 14, 2013	-	5,820,073	5,820,073	3,481,304.68	2,338,768
Medirigiriya - Main Street, Madirigiriya	40.0	-	December 31, 2007	-	9,643,650	9,643,650	8,687,928.64	955,722
Siripura - New Town, Siripura	30.0	4,973	February 24, 2016	-	22,291,625	22,291,625	10,981,366.28	11,310,259
Thirappane - Kandy Road, Thirappane	65.4	8,030	December 8, 2016	-	46,435,602	46,435,602	16,792,992.06	29,642,610
<b>North Western Province</b>								
Mawathagama - Kandy Road, Mawathagama	21.5	-	3/Mar/16	10801311	-	10,801,311	-	10,801,311
P/O Kurunegala - No 155, Negombo Rd, Kurunegala	14.0	8,484	December 29, 2004	-	18,227,912	18,227,912	12,136,972.30	6,090,939
Polpithigama - Kurunegala Road,Polpithigama	20.0	2,784	December 30, 2014	-	16,782,785	16,782,785	9,042,747.76	7,740,037
Mampuri - Kalpitiya Road, Mampuri	80.0	15,181	December 30, 2014	-	25,188,128	25,188,128	13,612,067.33	11,576,061
Palakuda - Kalpiti Road, Thalawila	20.3	2,244	March 25, 2003	-	5,792,157	5,792,157	4,612,244.49	1,179,913
Nattandiya - Marawila Road, Naththandiya	15.7	1,200	February 11, 2003	-	36,799,082	36,799,082	12,720,239.84	24,078,842
Wariyapola-No 29/4,Adhikari Mawatha,Wariyapola.	10.0	6,208	November 12, 2013	-	35,609,963	35,609,963	16,864,316.20	18,745,647
29/4 Adikari Mawatha, Wariyapola - District office	17.3	-	July 2, 2023	9,586,744	-	9,586,744	-	9,586,744
Puttalm 618/Puttalam South - Lease hold Building	51.0	-		6,067,750	13,423,181	19,490,931	2,142,974.26	17,347,957
NWP - New Land				22,008,250		22,008,250		22,008,250
<b>Southern Province</b>								
Kekanadura - Weherahena Rd, Kekanadura	12.0	1,704	10/May/04	1418000	1194535	2,612,535	1,194,262.27	1,418,273
Akmeemana - Ganegoda, Akmeemana	6.5	1,614	October 2, 1993	-	1,748,326	1,748,326	681,659	1,066,667
Galle Branch - No 301, Matara rd, Magalle, Galle	30.0	1,224	October 9, 1999	-	8,894,553	8,894,553	5,124,575	3,769,979
Katuwana - Uda Gomadiya Road, Katuwana	39.1	3,150	March 22, 2001	1,320,000	7,406,958	8,726,958	7,405,267	1,321,691
Tangalle - 81, Beliatta Road, Tangalle	16.0	1,200	May 5, 2005	1,620,667	1,675,534	3,296,201	1,675,533	1,620,668
Uragasmanhandiya - Kosgoda Road,Uragasmanhandiya	20.0	1,940	April 10, 2012	-	13,354,618	13,354,618	8,497,562	4,857,056
Ambalantota - 139,Hambantota Road,Ambalantota	25.0	2,568	August 30, 2004	2,000,000	3,070,100	5,070,100	3,069,399	2,000,701
Agunakolapelessa,Ranna Road,Agunakolapelessa	12.0	2,371	August 27, 2001	-	3,470,348	3,470,348	2,694,717	775,631
D/O Galle - No 301, Matara rd, Magalle, Galle	30.0	2,000	October 8, 1999	1,750,000	4,884,716	6,634,716	4,606,316	2,028,401
No.01,Galwala Road,Hambantota	237.0	16,315			48,160,824	48,160,824	19,533,064	28,627,759
Thalgaswala			26/May/22	3,004,320		3,004,320		3,004,320
<b>Uva Province</b>								
Girandurukotte - Development Centre,Girandurukotte	10.1	1,661	November 30, 2011		3,227,674	3,227,674	2,331,070	896,605
Monaragal D/O-Monaragala Road,Buttala.	34.0	1,706	October 22, 1999	3,162,263		3,162,263	1,973,691	1,188,572
<b>Sabaragamuwa Province</b>								
Balangoda - No17,Rest House Approach Road,Balangoda	20.0	-	February 18, 2013	6,679,574		6,679,574		6,679,574
<b>Eastern Province</b>								
Eastern Province - Dehiattakandiya					5,778,419	5,778,419	1,134,312	4,644,108
<b>Total</b>				<b>214,699,411</b>	<b>597,691,435</b>	<b>812,390,846</b>	<b>308,526,983</b>	<b>503,863,862</b>



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**27 DEFERRED TAX ASSETS/ LIABILITIES**

As at 31st December	2025 Rs.	2024 Rs.
Deferred tax asset	(3,095,417,135)	(2,938,436,802)
Deferred tax liability	481,024,014	90,388,694
Net deferred tax (asset)/ liability	<u>(2,614,393,122)</u>	<u>(2,848,048,109)</u>

**27.1 Amounts recognized in the Income Statement**

Recognized in profit or loss	(79,089,336)	434,695,051
Recognized in other comprehensive income	312,744,323	(322,726,116)

**27.2 Movement in deferred tax balances**

2025	Net Balance as at 01st January 2025	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2025	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	55,169,638	(5,490,468)	-	49,679,171	-	49,679,171
PPE Carrying Value Land & Building-P&L	22,693,730	106,946,441	-	129,640,171	-	129,640,171
Revaluation Gain-land & Building-OCI	-	-	291,684,412	291,684,412	-	291,684,412
Leases	12,525,325	(2,505,065)	-	10,020,260	-	10,020,260
Allowance for loan losses	(1,713,252,359)	(173,484,394)	-	(1,886,736,753)	(1,886,736,753)	-
Employee Benefits	(1,214,239,698)	(3,118,511)	21,059,911	(1,196,298,299)	(1,196,298,299)	-
Operating Lease	(10,944,745)	(1,437,339)	-	(12,382,083)	(12,382,083)	-
	<u>(2,848,048,108)</u>	<u>(79,089,336)</u>	<u>312,744,323</u>	<u>(2,614,393,121)</u>	<u>(3,095,417,135)</u>	<u>481,024,014</u>
2024	Net Balance as at 01st January 2024	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2024	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	90,179,852	(12,316,483)	-	77,863,369	-	77,863,369
Leases	32,041,324	(19,515,999)	-	12,525,325	-	12,525,325
Allowance for loan losses	(2,209,897,710)	496,645,351	-	(1,713,252,359)	(1,713,252,359)	-
Employee Benefits	(848,873,281)	(42,640,301)	(322,726,116)	(1,214,239,698)	(1,214,239,698)	-
Operating Lease	(23,467,227)	12,522,483	-	(10,944,745)	(10,944,745)	-
	<u>(2,960,017,043)</u>	<u>434,695,051</u>	<u>(322,726,116)</u>	<u>(2,848,048,108)</u>	<u>(2,938,436,802)</u>	<u>90,388,694</u>

**28 OTHER ASSETS**

As at 31st December	2025 Rs.	2024 Rs.
<b>Cost</b>		
<b>Financial Assets</b>		
Receivables	160,199,197	2,761,579,062
Deposits and Advances	15,903,849	22,557,735
Sundry Debtors	134,512,557	59,743,279
Others	305,402,906	217,939,610
	<u>616,018,509</u>	<u>3,061,819,687</u>
<b>Non Financial Assets</b>		
Prepayment	226,430,998	168,419,802
Others	1,958,142,558	1,259,009,747
Tax Receivables	-	-
Less: Expected Credit Loss Allowance (Note 28.1)	211,746,975	(382,414,307)
	<u>2,396,320,531</u>	<u>1,045,015,242</u>
<b>Total other assets</b>	<u>3,012,339,040</u>	<u>4,106,834,929</u>

**28.1 Expected Credit Loss Allowance**

Balance as at 01 January	-	-
Net Charge/ (reversal) for the year	(211,746,975)	382,414,307
<b>Balance as at 31 December</b>	<u>(211,746,975)</u>	<u>382,414,307</u>

Expected Credit Loss Allowances have been made as per CBSL direction by the bank on receivable from General Treasury with respect to the previous Special Interest Scheme on Fixed Deposits for Senior Citizens and Incentive Scheme on Inward Workers Remittances under Stage 2 according to SLFRS 09. Expected Credit Loss Allowance has been reversed based on received amount of interest subsidy from General treasury according to Budget 2026.

**29 DUE TO BANKS**

	2025 Rs.	2024 Rs.
Borrowings	19,128,300,064	18,392,787,902
Leasing (Note 29.1)	96,000	96,000
Refinance	15,761,177,391	18,019,987,753
<b>Total due to banks</b>	<u>34,889,573,456</u>	<u>36,412,871,655</u>

**29.1 Maturity of the leasing**

As at 31st December	2025 Rs.	2024 Rs.
Not later than 1 year	96,000	96,000
	<u>96,000</u>	<u>96,000</u>
Less - Interest in suspense	-	-
<b>Total</b>	<u>96,000</u>	<u>96,000</u>

**30 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS**

	2025 Rs.	2024 Rs.
Due to other customers	283,715,706,931	253,664,001,775
<b>Total financial liabilities at amortized cost - due to other customers</b>	<u>283,715,706,931</u>	<u>253,664,001,775</u>

**30.1 Analysis of financial liabilities at amortized cost - due to other customers**

	2025 Rs.	2024 Rs.
<b>30.1.1 By product</b>		
Savings deposits	68,761,310,402	57,537,143,671
Long term savings	31,275,354,078	28,193,155,501
Fixed deposits	183,679,042,451	167,933,702,604
<b>Total financial liabilities at amortized cost</b>	<u>283,715,706,931</u>	<u>253,664,001,775</u>
<b>30.1.2 By currency</b>		
Sri Lankan rupee	283,715,706,931	253,664,001,775
<b>Total financial liabilities at amortized cost</b>	<u>283,715,706,931</u>	<u>253,664,001,775</u>
<b>30.1.3 By maturity</b>		
Due within one year	278,700,264,967	248,309,775,121
Due after one year	5,015,441,964	5,354,226,654
<b>Total financial liabilities at amortized cost</b>	<u>283,715,706,931</u>	<u>253,664,001,775</u>

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	2025	2024
	Rs.	Rs.
<b>31 CURRENT TAX LIABILITIES</b>		
Balance as at 1st January	531,164,073	(503,589,580)
Current tax based on profit for the year (Note 15)	2,674,311,613	1,259,739,071
Under/(Over) provision in respect of previous years (Note 15)	329,112,719	239,993,922
Surcharge tax	-	-
Payment of tax	(2,200,649,597)	(464,979,339)
<b>Balance as at 31 December</b>	<b>1,333,938,809</b>	<b>531,164,073</b>
	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>32 OTHER LIABILITIES</b>		
<b>Financial Liabilities</b>		
Sundry creditors	4,988,009,362	247,116,859
Other payables	8,045,969,408	7,681,829,001
Inter bank transaction in transit	(550,352)	(125,645,559)
Operating Lease Liability (Note 26.2)	1,075,878,594	1,096,295,487
	<b>14,109,307,012</b>	<b>8,899,595,789</b>
<b>Non Financial Liabilities</b>		
Other payables	2,137,693,393	1,854,106,212
Impairment provision for expected credit losses - credit related commitment and contingencies	58,863,220	34,005,963
	<b>2,196,556,613</b>	<b>1,888,112,176</b>
<b>Total</b>	<b>16,305,863,626</b>	<b>10,787,707,964</b>

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**33 RETIREMENT BENEFIT OBLIGATION**

<b>As at 31 December</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Retirement Benefit Obligation (Note 33.1)	<u>4,057,860,699</u>	<u>4,047,465,661</u>
	<u><b>4,057,860,699</b></u>	<u><b>4,047,465,661</b></u>

**33.1 Net Asset /(Liability) recognized in the Statement of Financial Position**

<b>As at 31 December</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Opening balance as at 01 January	4,047,465,661	2,829,577,604
Provision made during the year (Note 33.2)	644,945,348	522,460,641
Payable for resigned employees	(75,237,686)	(28,631,951)
Net Actuarial (Gain)/Loss on obligation (Note 33.3)	<u>(70,199,703)</u>	<u>1,075,753,719</u>
	4,546,973,620	4,399,160,013
Benefits paid by the Bank	<u>(489,112,921)</u>	<u>(351,694,352)</u>
<b>Balance as at 31 December</b>	<u><b>4,057,860,699</b></u>	<u><b>4,047,465,661</b></u>

**33.2 Amount Recognized in Statement of Profit or Loss**

<b>As at 31st December</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Current Service cost	179,486,797	160,274,708
Interest Cost	465,458,551	362,185,933
<b>Total amount recognized in Statement of Profit or Loss</b>	<u><b>644,945,348</b></u>	<u><b>522,460,641</b></u>

**33.3 Amount Recognized in Statement of Other Comprehensive Income**

<b>As at 31 December</b>	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Net Actuarial (Gain)/Loss on obligation	<u>(70,199,703)</u>	<u>1,075,753,719</u>
<b>Total amount recognized in Other Comprehensive Income</b>	<u><b>(70,199,703)</b></u>	<u><b>1,075,753,719</b></u>

**33.4** An actuarial valuation of the gratuity fund was carried out as at 31st December 2025 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method (PUC)", recommended by Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

<b>Actuarial Assumptions</b>	<b>2025</b>	<b>2024</b>
Discount rate as at 31st December	<b>10.50%</b>	11.50%
Future salary increment rate	<b>8% P.A.</b>	8% P.A.
Mortality	<b>A1967/70 Mortality Table issued by the Institute of Actuaries, London</b>	A1967/70 Mortality Table issued by the Institute of Actuaries
Retirement age	<b>60 Years</b>	60 Years
Staff Turnover	<b>2.00%</b>	2.00%
Disability	<b>10.00%</b>	10.00%

**33.5 Sensitivity of Assumptions Used in the Actuarial Valuation**

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

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on to total comprehensive income and employment benefit obligation for the year.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2025		2024	
		Sensitivity Effect on Income Statement Increase /(Reduction) in results for the year	Present value of Defined Benefit Obligation Increase /(Decrease) in the Liability	Sensitivity Effect on Income Statement Increase /(Reduction) in results for the year	Present value of Defined Benefit Obligation Increase /(Decrease) in the Liability
		Rs.	Rs.	Rs.	Rs.
+1%	-	242,686,572	(242,686,572)	221,218,986	(221,218,986)
-1%	-	(277,967,290)	277,967,290	(250,609,069)	250,609,069
-	+1%	(296,118,504)	296,118,504	(275,115,966)	275,115,966
-	-1%	262,236,356	(262,236,356)	246,340,319	(246,340,319)

**34 STATED CAPITAL**

	2025 Rs.	2024 Rs.
<b>Ordinary shares</b>		
Balance as at 1st January	8,521,864,568	8,521,864,568
Issue of shares	-	-
Balance as at 31st December	<u>8,521,864,568</u>	<u>8,521,864,568</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the bank.

**35 STATUTORY RESERVE FUND**

	2025 Rs.	2024 Rs.
Balance as at 1st January	952,196,231	888,423,757
Transfer during the period	120,885,535	63,772,474
Balance as at 31st December	<u>1,073,081,766</u>	<u>952,196,231</u>

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**36 OTHER RESERVES**

<b>Balance as at 31 December 2025</b>	<b>Opening balance as at 01 January 2025</b>	<b>Movement/ transfers</b>	<b>Closing balance as at 31 December 2025</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
General reserve Fund	3,997,384,674	483,542,138	4,480,926,812
Special Reserve Fund	806,586,560	120,885,535	927,472,094
<b>Total</b>	<b>4,803,971,233</b>	<b>604,427,673</b>	<b>5,408,398,905</b>

  

<b>Balance as at 31 December 2024</b>	<b>Opening balance as at 01 January 2024</b>	<b>Movement/ transfers</b>	<b>Closing balance as at 31 December 2024</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
General reserve Fund	3,742,294,776	255,089,898	3,997,384,674
Special Reserve Fund	742,814,085	63,772,474	806,586,560
<b>Total</b>	<b>4,485,108,861</b>	<b>318,862,372</b>	<b>4,803,971,233</b>

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**37 RELATED PARTY DISCLOSURES**

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures" i.e. significant investors, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

**37.1 Key Management Personnel of the Bank**

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs includes those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. KMPs include the members of the Board of Directors of the Bank, the Chief Executive Officer, Deputy General Managers, Senior Assistant General Managers, Regional General Managers, Compliance Officer, Chief Internal Auditor and Board Secretary.

**37.1.1 Key Management Personnel Compensation**

Key management personnel compensation comprised the following;

	2025 Rs.	2024 Rs.
Short term employment benefits	232,334,402	213,744,121
Post employment benefits	-	-
	<u>232,334,402</u>	<u>213,744,121</u>

**37.1.2 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)**

The aggregate values of transactions and outstanding balances related to key management personnel were as follows;

	2025 Rs.	2024 Rs.
<b>Items in the Statement of Financial Position</b>		
<b>Assets</b>		
Loans and receivables	<u>73,935,639</u>	<u>107,197,363</u>
	<u>73,935,639</u>	<u>107,197,363</u>
<b>Liabilities</b>		
Deposits	<u>65,129,843</u>	<u>118,398,289</u>
	<u>65,129,843</u>	<u>118,398,289</u>
<b>Items in the Statement of Profit or Loss</b>		
Interest income	3,696,782	13,399,670
Interest expenses	<u>1,165,212</u>	<u>4,528,865</u>
	<u>4,861,994</u>	<u>17,928,536</u>

**37.1.2.1 Terms and conditions of the accommodation granted to KMPs and their CFMs**

Type of the Loan	Other Terms and Conditions	Balance as at 31.12.2025	Security Details 31.12.2025	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or other specific categories of employees.	40,203,220	Property	199,050,000
Staff Vehicle Loans		10,492,214	Motor Vehicle	10,900,000
Cash Backed Loans		1,707,163	Fixed Deposit/ Savings Deposits	17,810,786
Consumptions and Loans		21,533,042	Personal Guarantee & Gold	58,550,000
		<u>73,935,639</u>		<u>286,310,786</u>

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Type of the Loan	Other Terms and Conditions	Balance as at 31.12.2024	Security Details 31.12.2024	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or specific categories of employees.	45,903,299	Property	189,000,000
Staff Vehicle Loans		26,580,612	Motor Vehicle	56,000,000
Cash Backed Loans		18,955,450	Fixed Deposit/ Savings Deposits	36,364,482
Consumptions and Loans		15,758,002	Personal Guarantee & Gold	8,071,538.00
		107,197,363		289,436,020

Total exposure to KMPs and their CFMs represents 0.3% of bank's regulatory capital.

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**37.2 Transactions with the Government of Sri Lanka/ Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka**

In accordance with Sri Lanka Accounting Standard LKAS 24 on "Related Party Disclosures", the Bank has exempted from the disclosure requirements under paragraph 18 on transactions with Government of Sri Lanka, significant investor and its related entities.

A number of entities in which the Government of Sri Lanka has an interest, have significant interests in the Bank.

The Bank has disclosed individually significant transactions and other transactions collectively, but not individually with significant investor and related entities under LKAS 24. The Bank has entered into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities. The significant financial dealings during the year and as of the date of the Statement of Financial Position are as follows:

	2025 Rs.	2024 Rs.
<b>Items in the Statement of Financial Position</b>		
<b>Assets</b>		
Loans and receivables	261,414,650	242,406,677
	<u>261,414,650</u>	<u>242,406,677</u>
<b>Liabilities</b>		
Deposits	29,030,645,717	28,909,494,931
	<u>29,030,645,717</u>	<u>28,909,494,931</u>
<b>Items in the Statement of Profit or Loss</b>		
Interest income	-	-
Interest expenses	2,103,581,427	1,750,799,936
	<u>2,103,581,427</u>	<u>1,750,799,936</u>

**37.2.1 Further transactions as detail below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:**

- Investment in Treasury Bills and money market placements
- Payment of statutory rates and taxes
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - (EPF ,ETF)

**37.3 Pricing Policy with Related Parties**

The Bank enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees.

**38 ASSETS PLEDGED AS SECURITY**

The total financial assets recognized in the statement of financial position that had been pledged as collateral for liabilities as at 31 December 2025 and 2024 is shown in the following table:

2025	Type of Facility	Amount of Facility Rs. Mn	Nature of Security	Value of Security Rs. Mn	Balance as at 31 December 2025 Rs. Mn
1	Over Draft - BOC	606	FD 74619066	536	1,680
			FD 80912939	1,144	
2	Over Draft - PB	200	FD- 055-60-01-000427323	290	290

2024	Type of Facility	Amount of Facility Rs. Mn	Nature of Security	Value of Security Rs. Mn	Balance as at 31 December 2024 Rs. Mn
1	Over Draft - BOC	606	FD 74619066	413	-
			FD 80912939	891	
2	Over Draft - PB	200	FD- 055-60-01-00035863-2	290	-

**39 CONTINGENT LIABILITIES AND COMMITMENTS**

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities, and to manage its own exposure to risk. These financial instruments generate interest or fees and carry elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These contingencies and commitments are quantified below:

<b>As at 31 December</b>	<b>2025</b>	<b>2024</b>
		<b>Rs.</b>
Guarantees and performance bonds	<b>501,612,580</b>	440,431,022
Other contingent items	<b>84,049,123</b>	85,039,345
Less : Impairment for expected credit losses-Guarantees	<b>(41,438,949)</b>	(34,005,963)
<b>Total</b>	<b><u>544,222,754</u></b>	<b><u>491,464,404</u></b>

**39.1 Analysis of Commitment and Contingency Exposure to Credit Risk**

<b>As at 31 December 2025</b>	<b>Stage 1</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>
Guarantees and performance bonds	<b>501,612,580</b>	<b>501,612,580</b>
Other contingent items	<b>84,049,123</b>	<b>84,049,123</b>
Expected Credit Loss Allowance (Note 39.1.1)	<b>(41,438,949)</b>	<b>(41,438,949)</b>
	<b><u>544,222,754</u></b>	<b><u>544,222,754</u></b>

<b>As at 31 December 2024</b>	<b>Stage 1</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>
Guarantees and performance bonds	440,431,022	440,431,022
Other contingent items	85,039,345	85,039,345
Expected Credit Loss Allowance (Note 39.1.1)	<b>(34,005,963)</b>	<b>(34,005,963)</b>
	<b><u>491,464,404</u></b>	<b><u>491,464,404</u></b>

**39.1.1 Expected Credit Loss Allowance**

	<b>2025</b>	<b>2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Balance as at 1st January	<b>34,005,963</b>	46,090,572
Net Charge for the year	<b>7,432,986</b>	(12,084,608)
Balance as at 31st December	<b><u>41,438,949</u></b>	<b><u>34,005,963</u></b>

**39.2 Assessment Received by the Bank**

Following assessments were received by the bank from the Department of Inland Revenue.

**Income Tax**

Notice of assessment issued for the year of assessment,2014/15 Rs.653 Mn (ITA18280500065 V2) discussions are going with the authorities on for settlement. In addition, The bank made adequate provisions pertaining to the disputes which have been hearing in Tax Appeal Commission.

**40 LITIGATIONS AGAINST THE BANK**

Litigation is a common occurrence in the banking industry due to nature of the business undertaken. The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of possible losses reasonably estimated, the bank makes adjustments to accounts for adverse effects for which the claims may have on its financial standing. As at 31.12.2025, the Bank has 47 legal claims against the Bank and all material claims have been adequately provided for. The Legal Department of the Bank is of the view that currently pending litigations against the Bank will not have a material impact on the reported financial results or the future operations of the bank.

**41 EVENTS AFTER THE REPORTING DATE**

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

**42 CURRENT VS NON CURRENT ANALYSIS**

**As at 31 December 2025**

<b>Assets</b>	<b>Within 12 Months Rs.</b>	<b>After 12 Months Rs.</b>	<b>Total Rs.</b>
Cash and cash equivalent	4,869,722,062	-	4,869,722,062
Placements with banks	15,105,877,538	-	15,105,877,538
Equity Instruments at fair value through profit or loss	312,739	-	312,739
Financial assets at amortised cost-Loans and receivables from other customers	105,971,152,996	177,642,553,200	283,613,706,196
Financial assets at amortised cost-Debt & other instruments	44,340,074,825	4,751,907,747	49,091,982,572
Equity Instruments at fair value through other comprehensive income	-	153,434,669	153,434,669
Property, plant and equipment	-	2,740,262,712	2,740,262,712
Intangible assets	-	39,527,242	39,527,242
Right of use assets	-	1,034,604,984	1,034,604,984
Deferred tax assets	-	2,614,393,122	2,614,393,122
Other assets	170,667,666	2,841,671,374	3,012,339,040
<b>Total assets</b>	<b>170,457,807,826</b>	<b>191,818,355,051</b>	<b>362,276,162,876</b>
<b>Liabilities</b>			
Due to banks	3,296,525,071	31,593,048,385	34,889,573,456
Due to other customers	161,356,228,826	122,359,478,106	283,715,706,932
Current tax liabilities	1,333,938,809	-	1,333,938,809
Other liabilities	3,732,121,974	12,573,741,545	16,305,863,520
Retirement benefit obligation	75,237,686	3,982,623,013	4,057,860,699
<b>Total liabilities</b>	<b>169,794,052,366</b>	<b>170,508,891,050</b>	<b>340,302,943,416</b>
<b>Maturity Gap</b>	<b>663,755,460</b>	<b>21,309,464,001</b>	<b>21,973,219,460</b>
<b>Cumulative Gap</b>	<b>663,755,460</b>	<b>21,973,219,461</b>	<b>-</b>

**As at 31 December 2024**

<b>Assets</b>	<b>Within 12 Months Rs.</b>	<b>After 12 Months Rs.</b>	<b>Total Rs.</b>
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	-	264,680
Financial assets at amortised cost-Loans and receivables from other customers	78,175,086,620	148,992,756,471	227,167,843,091
Financial assets at amortised cost-Debt & other instruments	62,609,751,641	5,385,443,416	67,995,195,057
Equity Instruments at fair value through other comprehensive income	-	153,434,669	153,434,669
Property, plant and equipment	-	1,255,230,096	1,255,230,096
Intangible assets	-	77,206,661	77,206,661
Right of use assets	-	1,059,813,006	1,059,813,006
Deferred tax assets	-	2,848,048,109	2,848,048,109
Other assets	1,918,879,830	2,187,955,099	4,106,834,929
<b>Total assets</b>	<b>161,871,467,164</b>	<b>161,959,887,528</b>	<b>323,831,354,692</b>
<b>Liabilities</b>			
Due to banks			
Due to other customers	3,745,186,434	32,667,685,221	36,412,871,655
Debt issued and other borrowed funds	177,184,305,460	76,479,696,316	253,664,001,776
Current tax liabilities	-	-	-
Other liabilities	531,164,074	-	531,164,074
Retirement benefit obligation	3,732,121,974	7,055,585,990	10,787,707,965
<b>Total liabilities</b>	<b>28,631,951</b>	<b>4,018,833,710</b>	<b>4,047,465,661</b>
<b>Maturity Gap</b>	<b>185,221,409,893</b>	<b>120,221,801,237</b>	<b>305,443,211,131</b>
<b>Cumulative Gap</b>	<b>(23,349,942,729)</b>	<b>41,738,086,291</b>	<b>18,388,143,561</b>
	<b>(23,349,942,729)</b>	<b>18,388,143,562</b>	<b>-</b>

## **43 FINANCIAL RISK MANAGEMENT**

### **43.1 Introduction and Overview**

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

#### **43.1.1 Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Board Audit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as the Executive Management Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialized risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Integrated Risk Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

#### **43.1.2 Asset and Liability Committee (ALCO)**

ALCO is chaired by the General Manager and has representatives from Finance Department, Credit Department, Operation Department and Risk Department. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and also overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

#### **43.1.3 Risk Measurement & Reporting**

The Bank's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to Integrated Risk Management Committee on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

#### **43.1.4 Risk Mitigation**

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

### **43.2 Credit Risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets (FVTPL) is managed independently and information thereon is disclosed below. The market risk in respect of changes in fair value in trading assets (FVTPL) arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

#### **Management of Credit Risk**

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee (Discontinued with effect from June 2021). Bank Credit Administration Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee (Discontinued with effect from June 2021) or the Board of Directors as appropriate.

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- Reviewing and assessing credit risk. Head of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Head of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit.

**Exposure to Credit Risk**

The table below set out information about credit quality of financial assets and allowance for impairment/ expected credit losses held by the Bank against those assets.

**Credit Quality Analysis**

**The Bank's Delinquency status**

Delinquency status	Description
<b>Stage 1</b>	
Regular	Performing
1 - 30 days	Performing
<b>Stage 2</b>	
31-60 days	Under Performing
61-90 days	Under Performing
<b>Stage 3</b>	
Above 90 days	Non- performing

*As at December*

	2025				2024			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
<b>Financial investments at amortized cost-Debt &amp; other instruments</b>								
Quoted debentures	1,153,354,815	-	-	1,153,354,815	1,661,984,952	-	-	1,661,984,952
Government debt securities-treasury bills & bonds	12,874,809,380	-	-	12,874,809,380	22,062,338,310	-	-	22,062,338,310
Investment in fixed deposits	35,071,034,738	-	-	35,071,034,738	42,770,532,521	-	-	42,770,532,521
<b>Total debt and other instruments</b>	<b>49,099,198,933</b>	<b>-</b>	<b>-</b>	<b>49,099,198,933</b>	<b>66,494,855,783</b>	<b>-</b>	<b>-</b>	<b>66,494,855,783</b>
Expected credit loss allowance	(7,216,361)	-	-	(7,216,361)	(1,386,491)	-	-	(1,386,491)
<b>Net debt and other instruments</b>	<b>49,091,982,572</b>	<b>-</b>	<b>-</b>	<b>49,091,982,572</b>	<b>66,493,469,292</b>	<b>-</b>	<b>-</b>	<b>66,493,469,292</b>
<b>Placements with banks</b>								
Money market placements	15,105,877,538	-	-	15,105,877,538	18,339,705,502	-	-	18,339,705,502
<b>Total placements with banks</b>	<b>15,105,877,538</b>	<b>-</b>	<b>-</b>	<b>15,105,877,538</b>	<b>18,339,705,502</b>	<b>-</b>	<b>-</b>	<b>18,339,705,502</b>
Expected credit loss allowance	-	-	-	-	-	-	-	-
<b>Net placements with banks</b>	<b>15,105,877,538</b>	<b>-</b>	<b>-</b>	<b>15,105,877,538</b>	<b>18,339,705,502</b>	<b>-</b>	<b>-</b>	<b>18,339,705,502</b>
<b>Commitments and Contingencies *</b>								
Bank Guarantee	501,612,580	-	-	501,612,580	440,431,022	-	-	440,431,022
Bills Send for Collection	84,049,123	-	-	84,049,123	85,039,345	-	-	85,039,345
<b>Total commitments and contingencies</b>	<b>585,661,703</b>	<b>-</b>	<b>-</b>	<b>585,661,703</b>	<b>525,470,367</b>	<b>-</b>	<b>-</b>	<b>525,470,367</b>
Expected credit loss allowance	(41,438,949)	-	-	(41,438,949)	(34,005,963)	-	-	(34,005,963)
<b>Net commitments and contingencies</b>	<b>544,222,754</b>	<b>-</b>	<b>-</b>	<b>544,222,754</b>	<b>491,464,404</b>	<b>-</b>	<b>-</b>	<b>491,464,404</b>

\* To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

43.2.1 Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 5.1.2.5.

**Significant increase in Credit Risk**

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30 days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

**Incorporation of Forward-Looking Information**

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

**Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions**

An overview of the approach to estimating ECLs is set out in Note 5.1.2.5 Summary of significant accounting policies and in Note 3.(i).(b) Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (CBSL) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2025.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

As at 31 December

Key drivers	Weightages	ECL Scenario	2025	2026	2027	2028	Subsequent Years
			%	%	%	%	
<b>GDP growth %</b>	25.0%	Base Case	4.90%	4.90%	4.90%	4.90%	4.90%
	15.0%	Best Case	4.90%	5.47%	5.88%	6.33%	6.80%
	60.0%	Worse Case	4.90%	5.37%	5.29%	5.10%	4.81%
<b>Inflation Rates %</b>	25.0%	Base Case	2.70%	2.70%	2.70%	2.70%	2.70%
	15.0%	Best Case	2.70%	0.76%	0.65%	0.56%	0.47%
	60.0%	Worse Case	2.70%	1.67%	2.12%	2.69%	3.41%
<b>Interest Rate %</b>	25.0%	Base Case	7.75%	7.75%	7.75%	7.75%	7.75%
	15.0%	Best Case	7.75%	7.09%	6.88%	6.68%	6.48%
	60.0%	Worse Case	7.75%	8.23%	8.61%	9.01%	9.42%
<b>Exchange rates (USD \$ to LKR)</b>	25.0%	Base Case	312.94	347.17	375.00	375.00	375.00
	15.0%	Best Case	312.94	279.16	249.03	222.16	198.18
	60.0%	Worse Case	312.94	375.00	375.00	375.00	375.00
<b>Unemployment rates %</b>	25.0%	Base Case	4.70%	4.70%	4.70%	4.70%	4.70%
	15.0%	Best Case	4.70%	4.67%	4.66%	4.65%	4.64%
	60.0%	Worse Case	4.70%	4.72%	4.74%	4.75%	4.77%

**Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

**Treasury, trading and interbank relationships**

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, primary-dealers, exchanges and clearing-houses. For these relationships, the Bank's Treasury Unit analyses publicly available information such as financial information.

**Sector classification of loans**

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank of Sri Lanka.

Of the total sector classification, this report categorized them in top major sectors, in accordance to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2025 is the Pawning advances followed by Housing, Commercial, Agriculture, Refinance, Industrial, Loans against deposits, Other Loans, Staff loans, Leasing, Liya Isura Loans.

<b>Sector wise portfolios</b>	<b>Rs.</b>
Pawning	85,026,671,887
Term Loan - Housing	77,418,337,676
Term Loan - Commercial	35,162,374,955
Term Loan - Agriculture	26,307,944,565
Refinance	24,616,481,910
Term Loan - Industrial	17,392,140,209
Loan Against Deposit	16,624,695,205
Term Loan - Other	9,195,744,985
Staff	7,554,311,898
Leasing	3,216,311,065
Liya Isura	24,867,562

**Corporate loans (Services, Manufacturing and Industry loans)**

For corporate loans, the borrowers are assessed by specialized credit employees of the Bank. The credit risk assessment is based on the behaviour of the customer and credit quality based on the past due status. Further, the bank considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information Bureau. This includes external rating grades issued by rating agencies, independent analyst reports, press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

**Consumer lending and retail loans**

Consumer lending comprises Housing Loans, Consumer loans and Personal Loan. These products along with retail mortgages and some of the less complex small business lending are rated by (Corporate and retail credit scoring models) primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, economic condition, changes in personal income/salary levels based on records of repayment capacity, repayment sources, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

**Grouping financial assets measured on a collective basis**

Asset classes where the Bank calculates ECL on an individual basis includes all customers above the individually significant threshold of LKR 10 mn of the total exposure.

Asset classes where the Bank calculates ECL on a collective basis include:

- Customers below the Individually Significant threshold of LKR 10mn.

The Bank groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Interest Rate

43.2.2 Collateral held and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, inventories and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

**Definition of Past Due**

Banks consider that any amounts uncollected thirty one days or more beyond their contractual due date are 'past due'.

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

As at 31 December

	2025	2024
	Rs.	Rs.
<b>Collateral Type</b>		
Land & Buildings	33,054,231,849	29,819,388,903
Machinery	996,623,693	208,685,103
Motor Vehicles	1,032,897,911	836,892,388
Gold	85,026,671,887	59,401,417,383
Fixed Deposits	1,760,589,192	14,970,811,599
Personal Guarantees	118,709,309,896	125,009,928,617
Bank Guarantees	45,899	288,780
Others	61,959,394,479	14,540,980,913
	<u>302,539,764,806</u>	<u>244,788,393,686</u>

As at 31 December

	2025		2024	
	Maximum Exposure to Credit Risk	Exposure Net of Collateral	Maximum Exposure to Credit Risk	Exposure Net of Collateral
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalent	4,869,722,061	4,869,722,061	827,778,892	827,778,892
Placements with Banks	15,105,877,538	15,105,877,538	18,339,705,502	18,339,705,502
Equity Instruments at fair value through profit or loss	312,739	312,739	264,680	264,680
Financial assets at amortised cost-Loans and receivables from other customers	302,539,764,806	183,830,454,910	244,788,393,686	169,117,480,416
Financial investments at amortised cost-Debt & other instruments	49,091,982,571	49,091,982,571	67,995,195,057	67,995,195,057
Equity Instruments at fair value through profit or loss	153,434,669	153,434,669	153,434,669	153,434,669
Other assets	616,018,509	616,018,509	3,061,819,687	3,061,819,687

As at 31 December

	Forced Sale Value of Foreclosed Collateral	
	2025	2024
	Rs.	Rs.
<b>Foreclosed Properties</b>		
Balance as at 01 January	180,680,145	180,680,145
Additions during the year	-	-
Disposals during the year	(5,559,000)	-
Valuation changes	83,256,430	-
<b>Balance as at 31 December</b>	<u>258,377,575</u>	<u>180,680,145</u>

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.

**Loan-to-value ratio (LTV)**

**Residential Mortgage lending**

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes adjustment for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

As at 31 December

	2025	2024
	Rs.	Rs.
<b>LTV ratio</b>		
Less than 50%	33,048,733,223	24,376,906,363
51-70%	-	3,287,982,755
71-90%	-	771,538,642
91-100%	-	836,735,781
More than 100%	-	546,225,361
<b>Total</b>	<u>33,048,733,223</u>	<u>29,819,388,903</u>

### 43.2.3 Concentration of Credit risk

The Bank monitors concentrations of credit risk by industry and by geographic location.

#### Concentrations of credit risk

An analysis of concentrations of credit risk for loans and advances, lending commitments, financial guarantees and investment securities is shown below.

	Loans and Advances to Customers		Investment debt securities		Lending commitments and financial guarantees	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Carrying amount	302,539,764,806	244,788,393,686	49,099,198,933	67,996,581,549	585,661,703	525,470,367
<b>Amounts committed/ guaranteed</b>						
<b>Concentration by sector</b>						
<b>Corporate:</b>						
Other	-	-	-	-	585,661,703	525,470,367
Government	-	-	12,874,809,380	22,062,338,310	-	-
Banks	-	-	36,224,389,553	45,934,243,239	-	-
<b>Retail:</b>						
Personal Guarantee	118,709,309,896	125,009,928,617	-	-	-	-
Mortgages	121,871,060,431	105,237,484,156	-	-	-	-
Unsecured lending	61,959,394,479	14,540,980,913	-	-	-	-
	<u>302,539,764,806</u>	<u>244,788,393,686</u>	<u>49,099,198,933</u>	<u>67,996,581,549</u>	<u>585,661,703</u>	<u>525,470,367</u>

### 43.3 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

#### Management of Liquidity Risk

The Bank sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

- \* Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- \* Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- \* Monitoring liquid ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- \* Carrying out stress testing of the Bank's liquidity position.

The most important of these is to maintain the minimum 100% of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.

#### 43.3.1 Exposure to Liquidity Risk

With the discontinuation of regulatory requirements relating to Statutory Liquid Assets Ratio as per the Banking Act Determination No 01 of 2024, with effect from 13th June 2024 In terms of Sections 21(1) and 76H of the Banking Act, No. 30 of 1988, as amended, the Central Bank of Sri Lanka has determined that every licensed commercial bank and licensed specialized bank shall maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as the statutory liquidity ratios at all times, in accordance with "Basel III: International Framework for Liquidity Risk Measurement by the Basel Committee on Banking Supervision. Details of the reported bank ratios of LCR & NSFR at the reporting dates during the year were as follows.

	2025			2024		
	Rupee Liquidity	All Currency Liquidity Requirement	NSFR	Rupee Liquidity	All Currency Liquidity Requirement	NSFR
	LCR			LCR		
1 <sup>st</sup> Quarter	330%	330%	154%	633%	633%	156%
2 <sup>nd</sup> Quarter	320%	320%	131%	590%	590%	175%
3 <sup>rd</sup> Quarter	344%	344%	133%	716%	716%	164%
4 <sup>th</sup> Quarter	207%	207%	130%	402%	402%	152%

**43.3.2 Analysis of Financial Liabilities by Remaining Contractual Maturities**

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial liabilities as at 31 December 2025. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

**As at 31 December 2025**

	Carrying Value	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Non - Derivative Liabilities</b>							
Due to banks	34,889,573,456	34,889,573,456	786,118,437	2,510,406,634	6,883,683,120	7,037,916,178	17,671,449,086
Due to other customers	283,715,706,932	283,715,706,932	77,739,158,663	83,617,070,163	27,447,653,502	25,405,128,809	69,506,695,796
Other liabilities	16,305,863,520	15,789,338,513	2,843,329,992	5,887,474,747	2,596,412,616	3,031,687,082	1,430,434,076
<b>Total Non - Derivative Liabilities</b>	<b>334,911,143,908</b>	<b>334,394,618,901</b>	<b>81,368,607,091</b>	<b>92,014,951,545</b>	<b>36,927,749,238</b>	<b>35,474,732,069</b>	<b>88,608,578,958</b>

**As at 31 December 2024**

	Carrying Value	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Non - Derivative Liabilities</b>							
Due to banks	36,412,871,655	36,412,871,655	899,752,360	2,845,434,074	7,764,585,571	7,901,787,922	17,001,311,727
Due to other customers	253,664,001,776	253,664,001,776	81,036,303,555	96,148,001,904	18,506,718,984	18,863,568,590	39,109,408,742
Debt issued and other borrowed funds	-	-	-	-	-	-	-
Other liabilities	10,787,707,965	10,787,707,965	1,941,747,618	4,020,634,293	1,773,124,481	2,070,379,164	981,822,409
<b>Total Non - Derivative Liabilities</b>	<b>300,864,581,396</b>	<b>300,864,581,396</b>	<b>83,877,803,534</b>	<b>103,014,070,271</b>	<b>28,044,429,036</b>	<b>28,835,735,677</b>	<b>57,092,542,879</b>

#### 43.3.3 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2025						
Contingent Liabilities	On Demand	Less than 3	3 to 12	1 to 5	Over 5	Total
	Rs.	Months	Months	Years	Years	Rs.
Bank guarantee (without impairment)		1,940,596	463,154,383	36,517,601	-	501,612,580
Other Contingent items-Bills sent for collection	84,049,123	-	-	-	-	84,049,123
<b>Total Contingent Liabilities</b>	<b>84,049,123</b>	<b>1,940,596</b>	<b>463,154,383</b>	<b>36,517,601</b>	<b>-</b>	<b>585,661,703</b>

  

As at 31 December 2024						
Contingent Liabilities	On Demand	Less than 3	3 to 12	1 to 5	Over 5	Total
	Rs.	Months	Months	Years	Years	Rs.
Bank guarantee (without impairment)		1,703,902	406,663,561	32,063,559	-	440,431,022
Other Contingent items-Bills sent for collection	85,039,345	-	-	-	-	85,039,345
<b>Total Contingent Liabilities</b>	<b>85,039,345</b>	<b>1,703,902</b>	<b>406,663,561</b>	<b>32,063,559</b>	<b>-</b>	<b>525,470,367</b>

#### 43.3.4 Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2025	
	Carrying Amount	Fair Value
Cash and Cash equivalents	4,869,722,062	4,869,722,062
Placements with banks	2,845,877,538	2,845,877,538
Repo	12,260,000,000	12,260,000,000
Fixed Deposits	35,071,034,738	35,071,034,738
	<b>55,046,634,338</b>	<b>55,046,634,338</b>

\* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

#### 43.3.5 Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Liquidity Coverage Ratio (LCR) as defined by the regulator is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

##### Minimum Requirement - 100%

The following were the Liquidity Coverage Ratios (%) and Net Stable Funding Ratio (%) of the Bank as at 31 December:	2025	2024
Liquidity Coverage Ratio (%) - Rupee	207	402
Net Stable Funding Ratio (%)	130	151

#### 43.3.6 Due to Banks & Due to Other Customers (Deposits) to Loans and Receivables from Banks & Other Customers (Advances) Ratio

The Bank is aware of the importance of due to banks & other customers as a source of funds for its lending operations.

This is monitored using the following ratio, which compares loans and receivables to customers as a percentage of due to banks & Due to other customers (Deposits).

Due to banks & due to other customers to Loans and receivables from banks & other customers Ratio.

As at 31st December 2025	99.96%
As at 31st December 2024	89.09%

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31.12.2025 and 31.12.2024.

	2025				2024			
	Encumbered		Unencumbered		Encumbered		Unencumbered	
	Pledged as collateral	Other	Other	Total	Pledged as collateral	Other	Other	Total
Cash and cash equivalent	-	-	4,869,722,062	4,869,722,062	-	-	827,778,892	827,778,892
Placements with banks	-	-	15,105,877,538	15,105,877,538	-	-	18,339,705,502	18,339,705,502
Equity Instruments at fair value through profit or loss	-	-	312,739	312,739	-	-	264,680	264,680
Financial assets at amortised cost-Loans and receivables from other customers	-	-	283,613,706,196	283,613,706,196	-	-	227,167,843,091	227,167,843,091
Financial assets at amortised cost-Debt & other instruments	2,072,086,197	-	47,019,896,375	49,091,982,572	1,985,570,901	-	66,009,624,156	67,995,195,057
Equity Instruments at fair value through other comprehensive income	-	-	153,434,669	153,434,669	-	-	153,434,669	153,434,669
Other assets	-	-	3,012,339,040	3,012,339,040	-	-	4,106,834,929	4,106,834,929
<b>Total</b>	<b>2,072,086,197</b>	<b>-</b>	<b>353,775,288,619</b>	<b>355,847,374,816</b>	<b>1,985,570,901</b>	<b>-</b>	<b>316,605,485,919</b>	<b>318,591,056,820</b>

**43.4 Market Risk**

Market risk' is the risk that changes in market prices - such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to the changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

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

As at 31st December 2025	Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios
<b>Assets subject to Market risk</b>			
Cash and cash equivalent	4,869,722,062	-	4,869,722,062
Placements with banks	15,105,877,538	-	15,105,877,538
Equity Instruments at fair value through profit or loss	312,739	312,739	-
Financial investments at amortised cost-Debt & other instruments	49,091,982,572	-	49,091,982,572
Financial assets at amortised cost-Loans and receivables from other customers	283,613,706,196	-	283,613,706,196
Equity Instruments at fair value through other comprehensive income	153,434,669	-	153,434,669
Other assets	616,018,509	-	616,018,509
<b>Liabilities subject to Market risk</b>			
Due to banks	34,889,573,456	-	34,889,573,456
Due to other customers	283,715,706,932	-	283,715,706,932
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	1,333,938,809	-	1,333,938,809
Other liabilities	14,109,307,012	-	14,109,307,012
<b>As at 31st December 2024</b>			
	Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios
<b>Assets subject to Market risk</b>			
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	264,680	-
Financial investments at amortised cost-Debt & other instruments	67,995,195,057	-	67,995,195,057
Financial assets at amortised cost-Loans and receivables from other customers	227,167,843,091	-	227,167,843,091
Equity Instruments at fair value through other comprehensive income	153,434,669	-	153,434,669
Other assets	3,061,819,687	-	3,061,819,687
<b>Liabilities subject to Market risk</b>			
Due to banks	36,412,871,655	-	36,412,871,655
Due to other customers	253,664,001,776	-	253,664,001,776
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	531,164,074	-	531,164,074
Other liabilities	8,899,595,789	-	8,899,595,789

**Management of Market Risk**

Market risk management reporting creates transparency on the risk profile and facilitates the understanding of core market risk drivers to all levels of the Bank. The Management and Board Committees receive regular reporting, as well as ad hoc reporting as required, on market risk, the impact on capital and earnings through stress testing. The Operation Risk Management Committee (ORMC) and Asset and Liability Committee (ALCO) receive risk information at a number of frequencies, including monthly and quarterly.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Bank's Treasury Department, and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

The Bank employs a range of tools to monitor and limit market risk exposures.

**Non - Trading Market Risk**

Non trading market risk arises primarily from outside the activities of our trading units, in our banking book and from certain off-balance sheet items. Significant market risk factors the Bank is exposed to and are overseen by risk management committees are:

- Interest rate risk (including risk from embedded optionality and changes in behavioural patterns for certain product types)
- Market risks from off-balance sheet items such as foreign exchange risk of the hedging instruments such as SWAPs.

**43.4.1 Interest Rate Risk**

Interest rate risk is the potential impact on the Bank's earnings and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), both on and off balance sheet, have mismatched re-pricing dates. The amount of risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The Bank's lending, funding, and investment activities give rise to interest rate risk.

Interest rate risk management is conducted within the context of a comprehensive business strategy. The bank has developed and implemented effective and comprehensive procedures to manage and control interest rate risk in accordance with the strategies in managing interest rate risk. These procedures are in accordance to the size and complexity of the Bank's interest rate risk-taking activities.

The Bank manages interest rate risk through the re-pricing maturity mis-match gaps by using Funds Transfer Pricing (FTP) techniques to take advantage in optimal gains. Through the FTP, portfolios are hedged; through this approach the Bank ensures that interest rate risk between lending and funding in each time bucket remains low. The majority of the Bank's interest rate risk, therefore, stems from the unhedged portion of assets and liabilities.

Typically interest rate risk is split into two components: traded interest rate risk and non-traded interest rate risk. While the traded interest rate risk is relevant to trading activities and its affects, the latter is often referred to as interest rate risk on the balance sheet or to the banking book and arises from the Bank's core banking activities.

**Interest Rate Risk in the Banking Book (IRRBB)**

Interest rate risk in the banking book is the risk to both the Bank's capital and earnings, arising from movements in interest rates, which affect the banking book exposures. This includes maturity mis-matches of the interest bearing assets and liabilities which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves.

Interest rate risk is also the risk that the Bank will experience in deterioration in its financial positions as interest rates move over time.

The interest rate position of the Bank is that the duration of the liabilities to some extent is lesser than the duration of the assets in the shorter tenors of the reprising profile. Given this mismatch, under normal circumstances increasing interest rates will have a negative impact on the interest income of the Bank. On the other hand, as liabilities re-price more quickly than assets, the average interest rates paid on liabilities would adapt more quickly to lower market interest rates. This would then support the Bank's net interest income.

During the current year as well as the preceding year banking industry faced unprecedented challenges as a result of fiscal and monetary stimulus. Due to the spread of the pandemic it was increasingly becoming evident that the domestic economic activities during the year 2023, was affected due to uncertainty and the various policies and regulations which were put into place from time to time to mitigate the adverseness of the economic conditions.

In this sense the Bank manages the Interest Rate Risk in the Banking Book (IRRBB) exposures using both Earnings at Risk (EAR) and Economic Value of Equity (EVE) measures. The Treasury division is delegated to manage the interest rate risk centrally on an ongoing basis, where Risk Management Unit acts as the second line of defence on an independent oversight function.

Economic value based measures look at the change in economic value of banking book of assets, liabilities and off-balance sheet exposures resulting from interest rate movements, independent of the accounting treatment. Thereby the Bank measures the change in Economic Value of Equity (EVE) of the banking book under standard scenarios for the ICAPP process as defined by Basel Committee on Banking Supervision.

Earnings-based measures look at the expected change in Net Interest Income (NII), compared to some defined benchmark scenarios, over a defined time horizon resulting from interest rate movements. Thereby the Bank measures the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift to various interest rate scenarios.

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**43.4. Maturity Gaps**

The Management and Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Risk Committee. At least annually the Board Risk Management Committee reviews and approves the limits which are applied to the Bank to measure and control liquidity risk as well as our long-term funding plan.

While such risk monitoring is mainly based on the stock approach through ratios and risk levels approved as per the risk appetite of the Bank, another method of managing and monitoring liquidity risk is using the flow approach tools which is the popular maturity mis-match or Maturity Gap analysis.

A summary of the Bank's total assets and liabilities as at 31 December 2025, based on the remaining period at the reporting date to the respective Cash flow/ Maturity dates together with the maturity gaps are given below.

As at 31 December 2025	Carrying amount Rs.	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.
<b>Interest Earning Assets</b>					
Cash and balances with central bank	4,869,722,062	4,869,722,062	-	-	-
Placements with banks	15,105,877,538	15,105,877,538	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	302,539,764,806	54,046,966,697	90,430,929,576	102,301,591,188	55,760,277,345
Financial investments at amortised cost-Debt & other instruments	49,099,198,933	15,698,496,590	25,291,193,206	2,204,246,575	5,905,262,561
Financial assets-fair value through other comprehensive income	153,434,669	-	-	-	153,434,669
<b>Total Assets</b>	<b>371,767,998,008</b>	<b>89,721,062,887</b>	<b>115,722,122,782</b>	<b>104,505,837,764</b>	<b>61,818,974,576</b>
<b>Interest Bearing Liabilities</b>					
Due to banks	34,889,573,456	786,118,437	2,510,406,634	13,921,599,299	17,671,449,086
Due to other customers	283,715,706,932	77,739,158,663	83,617,070,163	52,852,782,310	69,506,695,796
<b>Total Liabilities</b>	<b>318,605,280,388</b>	<b>78,525,277,099</b>	<b>86,127,476,798</b>	<b>66,774,381,609</b>	<b>87,178,144,882</b>
<b>Gaps</b>	<b>53,162,717,620</b>	<b>11,195,785,788</b>	<b>29,594,645,984</b>	<b>37,731,456,155</b>	<b>(25,359,170,306)</b>
<b>As at 31 December 2024</b>					
	Carrying amount Rs.	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.
<b>Interest Earning Assets</b>					
Cash and balances with central bank	827,778,892	827,778,892	-	-	-
Placements with banks	18,339,705,502	18,339,705,502	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	244,788,393,686	36,392,835,664	71,700,581,876	111,810,585,889	24,884,390,257
Financial investments at amortised cost-Debt & other instruments	67,996,581,549	34,254,111,705	27,859,597,798	4,750,600,724	1,132,271,322
Financial assets-fair value through other comprehensive income	153,434,669	-	-	-	153,434,669
<b>Total Assets</b>	<b>332,105,894,297</b>	<b>89,814,431,762</b>	<b>99,560,179,674</b>	<b>116,561,186,613</b>	<b>26,170,096,248</b>
<b>Interest Bearing Liabilities</b>					
Due to banks	36,412,871,655	899,752,360	2,845,434,074	15,666,373,493	17,001,311,727
Due to other customers	253,664,001,776	81,036,303,555	96,148,001,904	37,370,287,574	39,109,408,742
<b>Total Liabilities</b>	<b>290,076,873,431</b>	<b>81,936,055,915</b>	<b>98,993,435,979</b>	<b>53,036,661,066</b>	<b>56,110,720,470</b>
<b>Gaps</b>	<b>42,029,020,866</b>	<b>7,878,375,847</b>	<b>566,743,695</b>	<b>63,524,525,547</b>	<b>(29,940,624,222)</b>

**Interest Rate Benchmark Reforms**

Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global as well as local financial markets. A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives globally.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank through ALCO intends to manage its transition to alternative rates from the use of IBOR's. The contracts which have fallen due since end 2021 is re-priced at alternate rates mostly based on fixed pricing, the five US dollar LIBOR settings which will continue to be calculated using panel bank submissions until mid-2023, is used if required to re-price longer tenor advances which have frequent re-pricing dates. However, using these LIBOR's for new business is restricted from end-2021.

Going forward, RMU as a risk management functionality, will evaluate the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR. These findings will be reported to ALCO and Treasury to support the management of interest rate risk and works closely to identify operational and regulatory risks arising from these IBOR reforms and how to manage communication about IBOR reform with counterparties. These findings will be reported to BIRMC quarterly and will collaborate with other business functions as needed.

#### 43.4. Exposure to Other Market Risks

##### Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. Bank is exposed to foreign currency risk resulting from foreign currency assets and liabilities taken over from former Lanka Puthra Development Bank and loan from Asian Development Bank. Necessary precautions are in place in order to avoid/mitigate possible foreign currency risk in the near future.

During the year, the banking sector experienced uncertainty in market situations due to the lack of foreign currency liquidity especially the US dollars. This mostly led to the banking industry being unable to meet the expected levels in liability conversion transactions especially trade related transactions. The market also experienced a drop in asset conversion transaction such as the inward remittance and export bills. This situation led to depreciation of USD/ LKR rates which was mostly a controlled exchange rate which traded around 200 to 363 levels.

The Bank ensures all market risk measures are adhered as laid down in the latest directions published by the Central Bank as well as according to best market practices followed locally and globally.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in.

	In Original Foreign Currency		Functional Currency of the Bank	
	2025	2024	2025	2024
<i>As at 31 December</i>	USD	USD	Rs.	Rs.
<b>Net Foreign Currency Exposure</b>				
Financial assets denominated in foreign currency	62,858,772	61,977,219	19,475,590,024	18,140,732,013
Financial liabilities denominated in foreign currency	60,329,473	61,343,117	18,691,934,796	17,955,130,355

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is shown in the table below.

<i>As at 31 December</i>	2025		2024	
	USD	Rs.	USD	Rs.
Net Open Position (NOP)	2,529,300	783,655,228	634,102	185,601,658
<b>At Shocks Level of</b>	<b>Revised Rupee position</b>	<b>Effect on income statement</b>	<b>Revised Rupee position</b>	<b>Effect on income statement</b>
5%	822,837,990	39,182,761	194,881,741	9,280,083
10%	862,020,751	78,365,523	204,161,824	18,560,166
15%	901,203,512	117,548,284	213,441,907	27,840,249

#### **43.5 Operational Risk**

‘Operational risk’ is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank’s operations.

The Bank’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank’s reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to its Bank Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

#### **44 CAPITAL MANAGEMENT**

##### **44.1 Regulatory Capital**

The Bank’s lead regulator the Central Bank of Sri Lanka sets and monitors capital requirements for the Bank as a whole. The individual banking operations are directly supervised by the lead regulators. The Bank capital management goals are as follows;

- a. Ensure regulatory minimum capital adequacy of 12.5% requirements are not compromised.
- b. Bank to maintain its international and local credit rating and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank.
- c. Ensure above industry average Capital Adequacy Ratio for the banking sector is maintained.
- d. Ensure maintaining of quality capital.
- e. Ensure capital impact of business decisions are properly assessed and taken into consideration during product planning and approval process.
- f. Ensure capital consumption by business actions are adequately priced.
- g. Ensure Bank’s average long-term dividend pay-out ratio is maintained.

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on solo basis. The Bank is required to comply with the provisions of the Basel II and Basel III in respect of regulatory capital.

##### **Capital Management**

Capital Adequacy is a measure of a bank’s ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II till 30 June 2017 and thereafter Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation from 1 July 2017.

#### 44.2 Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

#### 44.3 Available Capital

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

- Every licensed specialised bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.

- Licensed specialised banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks
Common Equity Tier 1 including Capital Conservation Buffer	7.00%
Total Tier 1 including Capital Conservation Buffer	8.50%
Total Capital Ratio including Capital Conservation Buffer	12.50%

The Bank Capital Adequacy (Basel III) details as at 31 December 2025 are given below.

As at December	Basel III	
	2025 Rs.	2024 Rs.
<b>Assets</b>		
Total Risk Weighted Amount (including Off- Balance Sheet Items)	175,405,100,364	151,067,401,919
Risk Weighted amount of Off-Balance Sheet Exposure	1,097,609,601	491,464,404
<b>Capital</b>		
Common Equity Tier 1 Capital	15,991,675,775	14,366,909,492
Total Tier 1 Capital	15,991,675,775	14,366,909,492
Total Capital	24,255,510,343	23,441,487,620
<b>Capital Adequacy Ratios</b>		
Common Equity Tier 1 Capital Ratio (%)	9.12%	9.51%
Tier 1 Capital Ratio (%)	9.12%	9.51%
Total Capital Ratio (%)	13.83%	15.52%

## **45 FAIR VALUE OF FINANCIAL INSTRUMENTS**

### **45.1 Determining Fair Values**

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 – Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### **45.2 Valuation Models**

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

### **45.3 Valuation Framework**

The Bank has an established control framework with respect to the measurement of fair values. This framework includes an oversight by the Market Risk function, which is independent of front office management. Market Risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- \* Verification of observable pricing;
- \* Re-performance of model valuations;
- \* A review and approval process for new models and changes to models involving both product control and group market risk;
- \* Quarterly calibration and back-testing of models against observed market transactions;
- \* Analysis and investigation of significant daily valuation movements; and
- \* Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/ LKASs. This includes:

- \* Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of Financial Instrument;
- \* Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- \* When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- \* If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

#### 45.4 Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 December	2025			Total Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
Equity Instruments at fair value through profit or loss	312,739	-	-	312,739
Financial assets-fair value through other comprehensive income	-	-	153,434,669	153,434,669
	<b>312,739</b>	<b>-</b>	<b>153,434,669</b>	<b>153,747,408</b>

  

As at 31 December	2024			Total Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
Equity Instruments at fair value through profit or loss	264,680	-	-	264,680
Financial assets-fair value through other comprehensive income	-	-	153,434,669	153,434,669
	<b>264,680</b>	<b>-</b>	<b>153,434,669</b>	<b>153,699,349</b>

#### 45.5 Trading assets and other assets measured at fair value

Financial assets measured at fair value are quoted equities and unquoted equities. For quoted equities, the Bank uses quoted market price in active markets as at the reporting date. Unquoted equities are measured at cost because the fair value cannot be measured reliably.

**45.6 Financial Instruments not measured at fair value**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Fair value hierarchy	2025		2024	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Cash and cash equivalent	Level 2	4,869,722,062	4,869,722,062	827,778,892	827,778,892
Placements with Banks	Level 2	15,105,877,538	15,105,877,538	18,339,705,502	18,339,705,502
Financial assets at amortised cost - Debt & other instruments	Level 2	49,091,982,572	49,005,251,391	67,995,195,057	67,931,272,504
Financial assets at amortised cost - Loans and receivables from other customers					
Pawning	Level 2	85,026,671,887	85,026,671,887	59,382,717,060	59,382,717,060
Staff loans	Level 2	7,554,311,898	7,554,311,898	6,539,021,827	6,539,021,827
Short-term	Level 2	20,944,481,108	20,944,481,108	18,792,369,559	18,792,369,559
Long-term	Level 2	185,797,988,847	185,797,988,847	158,321,367,252	158,321,367,252
Other assets	Level 2	616,018,509	616,018,509	3,061,819,687	3,061,819,687
		<b>369,007,054,422</b>	<b>368,920,323,241</b>	<b>333,259,974,837</b>	<b>333,196,052,283</b>
<b>Financial liabilities</b>					
Due to banks	Level 2	34,889,573,456	34,889,573,456	36,412,871,655	36,412,871,655
Due to other customers	Level 2	283,715,706,932	283,715,706,932	253,664,001,776	253,664,001,776
Other liabilities	Level 2	14,109,307,012	14,109,307,012	8,899,595,789	8,899,595,789
		<b>332,714,587,400</b>	<b>332,714,587,400</b>	<b>298,976,469,220</b>	<b>298,976,469,220</b>

**Basis of measurement for the fair value of financial assets and liabilities not carried at fair value**

**Assets for which fair value approximates carrying value**

For financial assets and financial liabilities that have a short-term maturity (less than one year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to savings accounts without a specific maturity.

**Loans and Receivables to customers**

More than 36% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year. Therefore fair value of short term loans and advances to customers approximates to their carrying value as at the reporting date.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

**Due to Customers**

Around 68% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

The fair value of financial investment held to maturity is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments.

## 46 SELECTED PERFORMANCE INDICATORS / KEY FINANCIAL DATA

Item	As at 31 st December 2025	As at 31 st December 2024
<b>Regulatory Capital Adequacy (LKR in Millions )</b>		
Common Equity Tier 1	15,992	14,367
Tier 1 Capital	15,992	14,367
Total Regulatory Capital	24,256	23,441
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital (%) (Minimum Requirement - 7%)	9.12%	9.51%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.5%)	9.12%	9.51%
Total Capital Ratio (%) (Minimum Requirement - 12.5%)	13.83%	15.52%
<b>BASEL III Leverage Ratio (Minimum Requirement - 3%)</b>	4.39%	4.39%
<b>Regulatory Liquidity Requirement</b>		
Liquidity Coverage Ratio (%) (Minimum Requirement - 100%)		
Rupee (%)	207.00%	402.00%
All Currency (%)	207.00%	402.00%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	130.00%	152.00%
<b>Assets Quality</b>		
Impaired Loans (Stage 3) to Total Loans Ratio(%) *	4.00%	6.25%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)*	47.63%	41.88%
<b>Income and Profitability</b>		
Net Interest Margin (%)	7.26%	6.27%
Return on Assets (before Tax) (%)	1.56%	1.03%
Return on Equity (%)	11.98%	5.83%
Cost to Income Ratio(%)	79.38%	84.36%
<b>Memorandum Information</b>		
Credit Rating-LRA	BBB+Stable Out Look	BBB+Stable Out Look
Number of Employees	2,507	2,615
Number of Branches	272	272

\*Including undrawn portion of credit/ Net of stage 3 Impairment