ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. BAN/C/HDFC/FA/2025/01 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 10 March 2026

Chairman

Housing Development Finance Corporation Bank

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Housing Development Finance Corporation Bank for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the Housing Development Finance Corporation Bank (the "Bank") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

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

1.2 Basis for Opinion

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

RECEIVED
12 MAR 2026
03
HDFC / CHMD

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

1.3 Key Audit Matters

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

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

Key audit matter	How my audit addressed the key audit matter
Allowances for Expected Credit Losses of Loans and Advances measured at amortised cost Allowances for expected credit losses of Loans and Advances measured at amortised cost as disclosed in note 21 is determined by management based on the accounting policies described in Note 3.B.i to the financial statements. This was a key audit matter due to • the significant management judgements, assumptions and estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses.	In addressing the allowances for expected credit losses of loans and advances measured at amortised cost, my audit procedures included the following key procedures: • Assessed the alignment of the Bank's allowances for expected credit loss computations with the underlying methodology and related accounting policies, based on the best available information up to date of my report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank.

Key audit matter	How my audit addressed the key audit matter
Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, use of a broad range of forward-looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity.	• Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications. • In addition to the above, the following procedures were performed: • For loans and advances assessed on an individual basis for impairment: • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. • Tested the arithmetical accuracy of the underlying individual impairment calculations. • For loans and advances assessed on a collective basis for impairment: • Tested the key inputs and the calculations used in the allowances for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays including consideration of impact arising from the 'Ditwah' cyclone.

Key audit matter	How my audit addressed the key audit matter
	• My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. • Assessed the adequacy of the related financial statement disclosures set out in notes 3.B.i and 21.

1.4 Other information included in the Bank's 2025 Annual Report

The other information comprises the information included in the Bank's 2025 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Bank's 2025 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Bank.

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

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

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

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

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

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

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

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

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

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements;

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

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

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

2.2 The section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No. 24 of 2024) include specific provisions for following requirement;

2.2.1 The disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No. 05 of 2024 issued by Central Bank of Sri Lanka.

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

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

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

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

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

L.S.I. Jayaratna

Auditor General

HDFC BANK

The Bank for your Home

Annual Financial Statements

2025

HDFC BANK

The Bank for your Home

ANNUAL FINANCIAL STATEMENTS – 2025

Contents	Page No

HDFC BANK
SELECTED PERFORMANCE INDICATORS/KEY FINANCIAL DATA
AS AT 31/12/2025 (Based on Regulatory Reporting)

Item	Current Period	Previous Period
	31/12/2025	31/12/2024
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tire 1	6,879	7,142
Tier 1 Capital	7,129	7,392
Total Regulatory Capital	7,333	7,609
Regulatory Capital Ratios (%)		
Common Equity Tire 1 Capital (%)(Minimum Requirement , 7.0%)	32.08%	32.53%
Tier 1 Capital Ratio(%) (Minimum Requirement, 8.5%)	33.25%	33.66%
Total Capital Ratios (%) (Minimum Requirement, 12.5%)	34.20%	34.65%
Basel III Leverage Ratio (%) (Minimum Requirment 3%)	11.34%	11.90%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement -100%)		
-Rupee (%)	217%	223%
-All Currency (%)	-	-
Net Stable Funding Ratio(%) - (Minimum Requirement - 100%)	104%	128%
Assets Quality (Quality of Loan Portfolio)		
Impaired Loans (Stage 3) to Total Loans, Ratio (%) *	47.04%	45.92%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%) *	13.53%	9.91%
Impaired Loans (Stage 3) Ratio % - excluding EPF loans *	25.50%	22.98%
Impairment (Stage 3) to Stage 3 Loans Ratio (%)-excluding EPF loans *	27.08%	23.49%
Income & Profitability		
Net Interest Margin (%)	4.37%	4.18%
Return on Assets (before Tax) (%)	0.01%	0.10%
Return on Equity (%)	-1.22%	-2.43%
Cost to Income Ratio (%)	77.24%	78.03%
Debt/Equity (Times)	0.49	0.50
Interest Cover (Times)	3.76	3.62
Interest Yeild	12.05%	12.80%
Memorandum Information		
Credit Rating - Fithch Ratings	BB+(lka) (Watch Positive)	BB+(lka) (Stable)
Number of Employees	453	494
Number of Branches	39	39

* Including Undrawn Portion of Credit

CERTIFICATION:

We , the undersigned, being the Chief Executive Officer and Chief financial officer of HDFC Bank of Sri Lanka jointly certify that :-

(a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka & Colombo Stock Exchange.

(b) The information contained in these statements have been extracted from the unaudited financial statements of the bank unless indicated as audited.

H C Lokugeegana	**H A Anura**
GM / CEO	Chief Financial Officer

Dated: 27/2/ 2026

HDFC BANK OF SRI LANKA

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2025

In Rupees		Bank	
	Note	2025	2024
Gross income		**7,729,971,559**	**8,506,638,243**
Interest income		7,428,895,249	8,169,744,660
Interest expenses		(4,606,086,176)	(5,387,994,800)
Net interest income	04	**2,822,809,073**	**2,781,749,859**
Fee and commission Income		250,223,478	330,337,224
Fee and commission expenses		-	-
Net fee and commission income	05	**250,223,478**	**330,337,224**
Net gain/(loss) from trading	06	-	-
Net fair value gains/(loss) from financial instruments at fair value	07	-	-
Net gain/(losses) from derecognition of financial assets	08	-	-
Net other operating income	09	50,852,832	6,556,360
Total operating Income		3,123,885,383	3,118,643,443
Less: Impairment Charges	10	420,928,306	278,006,812
Net operating income		**2,702,957,078**	**2,840,636,631**
Less: Operating expenses			
Personnel expenses	11	1,598,732,491	1,646,378,472
Depreciation & amortization expenses	12. a	166,588,587	172,764,178
Other Expenses	12. b	608,417,406	609,279,768
Total operating expenses		**2,373,738,484**	**2,428,422,418**
Operating profit/(loss) before VAT & SSCL on Financial Services		**329,218,594**	**412,214,213**
Less : Value Added Tax (VAT) on financial services		275,212,746	298,468,196
Social Security Contribution Levy (SSCL) on financial services		44,488,400	49,876,256
Operating profit/(loss) after VAT & SSCL on Financial Services		**9,517,447**	**63,869,761**
Share of associate companies' profits/(losses		-	-
Profit/(loss) before tax		**9,517,447**	**63,869,761**
Less: Income tax expense	13	102,631,379	254,525,963
Profit/(loss) for the year		**(93,113,931)**	**(190,656,202)**
Profit attributable to :			
Equity holders of the parent		**(93,113,931)**	**(190,656,202)**
Non-controlling interests		-	-
Total		**(93,113,931)**	**(190,656,202)**
Earnings per share on profits	14		
Basic Earning per ordinary share (Rs.)		**(1.44)**	**(2.95)**
Diluted earnings per ordinary share (Rs.)		**(1.44)**	**(2.95)**

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 6 to 62 . .

HDFC BANK OF SRI LANKA

Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER 2025

In Rupees		**Bank**	
	Note	**2025**	**2024**
Profit/(loss) for the year		**(93,113,931)**	**(190,656,202)**
Items that will be reclassified to income statement			
Exchange differences on translation of foreign operations		-	-
Net gains/(losses) on cash flow hedges		-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income		-	-
Share of profits of associates and joint ventures		-	-
Debt instruments at fair value through other Comprehensive Income		12,001,618	(36,087,132)
Less: Tax expense relating to items that will be reclassified to income statement		(3,600,485)	10,826,140
Others		-	-
Net other comprehensive income reclassified to income statement		**8,401,133**	**(25,260,991)**
Items that will not be reclassified to income statement			
Change in fair value on investments in equity		-	-
instruments designated at fair value through other comprehensive income		-	-
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss		-	-
Re-measurement of post-employment benefit obligations		-	-
Changes in revaluation surplus		-	-
Share of profits of associates and joint ventures		-	-
Re-measurement of post-employment benefit obligations		(108,441,025)	(95,090,050)
Less: Tax expense relating to items that will not be reclassified to income statement		32,532,308	28,527,015
Others			
Other comprehensive income not be reclassified to income statement		**(75,908,718)**	**(66,563,035)**
Total Other Comprehensive Income for the Year		**(67,507,585)**	**(91,824,026)**
Total Comprehensive Income for the Year net of tax		**(160,621,516)**	**(282,480,229)**
Attributable to :			
Equity holders of the parent		(160,621,516)	(282,480,229)
Non-Controlling Interest		-	-
Total		**(160,621,516)**	**(282,480,229)**

HDFC BANK OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2025

In Rupees		Bank	
	Notes	2025	2024
Assets			
Cash and cash equivalents	16	260,851,252	324,619,439
Balances with central bank	17	-	-
Placements with banks	18	2,673,579,497	36,283,124
Derivative financial instruments	19	-	-
Financial assets recognized through profit or loss	20		
- measured at fair value		-	-
- designated at fair value		-	-
Financial assets at amortised cost			
- loans and advances	21	34,509,664,971	40,130,468,733
- debt and other instruments	22	23,480,913,743	17,697,880,565
Financial assets measured at fair value through other comprehensive income	23	-	4,739,113,040
Investment in subsidiaries	24	-	-
Investments in associates and joint ventures	25	-	-
Property, plant and equipment	26	165,349,769	187,198,254
Intangible Assets	27	27,473,534	65,642,998
Right of Use Assets	28	283,762,098	262,449,082
Investment properties	29	1,334,500,000	1,284,000,000
Goodwill and intangible assets	30	-	-
Deferred tax assets	31	649,752,194	505,382,153
Other assets	32	350,266,691	210,322,200
Total assets		**63,736,113,749**	**65,443,359,587**
Liabilities			
Due to banks	33	1,903,695,542	566,485,896
Derivative financial instruments	34		
Financial liabilities recognized through profit or loss	35		
- measured at fair value			
- designated at fair value			
Financial liabilities at amortised cost	36		
- due to depositors		50,568,905,930	52,005,315,939
- due to debt securities holders		-	-
- due to other borrowers		1,498,254,274	1,615,416,188
Debt securities issued	37	-	1,427,189,326
Lease Liability	38	327,817,006	303,181,636
Retirement benefit obligations	39	1,060,731,793	1,025,619,153
Current tax liabilities	40	158,036,567	151,034,918
Deferred tax liabilities		-	-
Other provisions	41	-	-
Other liabilities	42	385,064,992	354,887,314
Due to subsidiaries	44	-	-
Total Liabilities		**55,902,506,103**	**57,449,130,369**
Debt Capital			
Perpetual Bond	43	281,250,000	281,250,000
Equity			
Stated capital/Assigned capital	45	962,092,936	962,092,936
Statutory reserve fund	46	353,799,215	353,799,215
Retained earnings	47	5,772,754,664	5,865,868,596
Other reserves	48	463,710,898	531,218,483
Total shareholders' equity		7,552,357,713	7,712,979,230
Non-controlling interests	49	-	-
Total equity		**7,552,357,713**	**7,712,979,230**
Total equity and liabilities		**63,736,113,749**	**65,443,359,587**
Contingent liabilities and commitments	50	29,010,372	30,798,151
Memorandum Information			
Number of Employees		453	494
Number of Branches		39	39
Net assets value per share (Rs)		**116.71**	**119.19**

The significant accounting policies and notes on pages 6 to 62 form an integral part of these financial statements. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS).

We certify that the above financial statements give a true and fair view of the state of affairs of HDFC Bank of Sri Lanka as at 31 December 2025 and its profit for the year ending 31 December 2025.

Anura Hettiarachchi
Chief Financial Officer

Hemal C. Lokugeegana
General Manager / CEO

The Board of Directors are responsible for the preparation and presentation of these Financial Statements which were approved by the Board of Directors and signed on their behalf,

K. B. Wijeyaratne
Director

J. M. P. S. Kaushallya
Director

P. S. Attygalle (Mrs.)
Secretary to the Board

Date: 27/02/2026
Colombo

HDFC BANK OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31-12-2025

In Rupees	Bank												
		Stated capital / Assigned capital			Reserves								
	Note	Ordinary voting shares	Ordinary non voting shares	Assigned capital	Statutory reserve fund	OCI reserve	Revaluation reserve	FVTOCI Reserve	Retained earnings	Other reserve	Total	Non-controlling interest	Total equity
Balance as at 01-01-2024	34-37	962,092,936	-	-	353,799,215	(27,817,291)	-	16,859,860	6,056,524,799	633,999,926	7,995,459,449	-	7,995,459,449
Total comprehensive income for the year	34-37												
Profit/(loss) for the year	35	-	-	-	-	-	-	-	(190,656,202)	-	(190,656,202)	-	(190,656,202)
Other comprehensive income (net of tax)	30	-	-	-	-	(66,563,035)	-	(25,260,991)	-	-	(91,824,026)	-	(91,824,026)
Total comprehensive income for the year		962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,597	633,999,926	7,712,979,230	-	7,712,979,230
Transactions with equity holders, recognized directly in equity													
Share issue/increase of assigned capital		-	-	-	-	-	-	-	-	-	-	-	-
Bonus issue		-	-	-	-	-	-	-	-	-	-	-	-
Right issue		-	-	-	-	-	-	-	-	-	-	-	-
Investment fund transfer		-	-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves during the period	33-36	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity hoders		-	-	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office		-	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and equipment		-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31-12-2024		962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,598	633,999,926	7,712,979,230	-	7,712,979,230

In Rupees	Bank												
		Stated capital / Assigned capital			Reserves								
		Ordinary voting shares	Ordinary non voting shares	Assigned capital	Statutory reserve fund	OCI reserve	Revaluation reserve	FVTOCI Reserve	Retained earnings	Other Reserve	Total	Non-controlling interest	Total equity
Balance as at 01-01-2025	34-36	962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,598	633,999,926	7,712,979,230	-	7,712,979,230
Total comprehensive income for the year	34-37												
Profit/(loss) for the year (net of tax)	34-37	-	-		-	-	-		(93,113,941)	-	(93,113,941)	-	(93,113,941)
Other comprehensive income (net of tax)	30	-	-		-	(75,908,718)	-	8,401,133	-	-	(67,507,585)	-	(67,507,585)
Total comprehensive income for the year		962,092,936	-	-	353,799,215	(170,289,044)	-	0	5,772,754,656	633,999,926	7,552,357,714	-	7,552,357,714
Transactions with equity holders, recognized		-	-		-	-	-	-	-	-	-	-	-
directly in equity		-	-		-	-	-	-	-	-	-	-	-
Share issue/increase of assigned capital		-	-		-	-	-	-	-	-	-	-	-
Bonus issue		-	-		-	-	-	-	-	-	-	-	-
Right issue		-	-		-	-	-	-	-	-	-	-	-
Transfers to reserves during the period	34-36	-	-		-	-	-	-	-	-	-	-	-
Dividend paid		-	-		-	-	-	-	-	-	-	-	-
Profit transferred to head office		-	-		-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and		-	-		-	-	-	-	-	-	-	-	-
Equipment (if cost method is adopted)		-	-		-	-	-	-	-	-	-	-	-
Others		-	-		-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-		-	-	-	-	-	-	-	-	-
Balance as at 31-12-2025		962,092,936	-	-	353,799,215	(170,289,044)	-	0	5,772,754,656	633,999,926	7,552,357,714	-	7,552,357,714

HDFC BANK OF SRI LANKA
STATEMENT OF CASH FLOWS
For the Year Ended 31st December 2025

Description	Bank 2025 In Rupees	Bank 2024 In Rupees
Cash Flows From Operating Activities		
Interest Receipts	8,667,359,731	6,247,970,926
Interest payments	(3,814,390,149)	(5,722,763,913)
Net commission Receipts	196,519,612	249,610,466
Trading Income	-	-
Payments to Employee	(1,504,027,573)	(1,475,388,357)
VAT & SSCL on Financial Services	(260,306,658)	(464,764,143)
Receipt from other operating activities	92,842,762	57,422,809
Payments on other operating activities	(673,326,561)	(595,770,257)
Operating profit before changes in operating assets and liabilities	**2,704,671,164**	**(1,703,682,469)**
(Increase)/Decrease In Operating Assets :		
Balances with Central Bank of Sri Lanka	-	-
Financial Assets at amotised cost - Loans and Advances	3,573,000,125	2,041,952,154
Other Assets	(270,060,600)	20,996,512
Net cash generated from operating activities assets	3,302,939,525	2,062,948,666
Increase / (Decrease) In Operating Liabilities		
Financial Liabilities at amotised cost - due to Depositors	(2,196,327,305)	(1,217,404,554)
Financial Liabilities at amotised cost - due to Debt Security Holders	(1,408,770,000)	0
Financial Liabilities at amotised cost - due to Other Borrowers	1,098,079,281	(264,558,919)
Other Liabilities	48,242,298	(66,076,161)
Net cash generated from operating liabilities	(2,458,775,726)	(1,548,039,635)
Net cash generated from operating activities before income tax	**3,548,834,963**	**(1,188,773,437)**
Income Tax Paid	(207,001,141)	(680,168,353)
Net cash (used in)/from operating activities	**3,341,833,822**	**(1,868,941,790)**
Cash Flows From Investing Activities		
Purchase of property, plant and equipment /Intangible Assets	(24,616,127)	(11,151,862)
Proceeds from Sale property, Plant and equipment/Intangible Assets	119,700	7,442,430
Net Cash flows from Investments	(3,381,396,781)	1,959,720,164
Dividends received from investments	291,200	268,900
Others	-	-
Net cash (used in)/from investing activities	**(3,405,602,009)**	**1,956,279,632**
Cash Flows From Financing Activities		
Net proceeds from the issue of Ordinary share capital	-	-
Net proceeds from the issue of Other equity instruments	-	-
Repayment of Subordinated debt	-	-
Interest paid on subordinated debts	-	-
Dividends paid to non - controlling Interest	-	-
Dividends paid to holders of equity instruments	-	-
Dividends paid to shareholders of the parent company	-	-
Others	-	-
Net cash (used in)/from financing activities	-	-
Net increase/(decrease) in cash & cash Equivalents	(63,768,187)	87,337,842
Cash & cash equivalents at beginning of the period	324,619,439	237,281,596
Cash & cash equivalents at the end of the period	260,851,252	324,619,439
Reconciliation Of Cash and Cash Equivalents		
Cash In Hand	151,429,565	174,104,903
Cash at Bank	109,421,687	150,514,536
	260,851,252	**324,619,439**

Accounting Policies

1 Corporate Information

Reporting Entity

HDFC Bank of Sri Lanka was incorporated in Sri Lanka as a Building Society in 1984 under section 11 of the National Housing Act of 1956. Subsequently it was converted to a corporation under the Housing Development Finance Corporation of Sri Lanka Act.No.7 Of 1997 and obtained the status of a specialized Bank under Housing Development Finance Corporation of Sri Lanka (Amendment) Act No 15 of 2003 and as amended by it to carry out the business of all activities of schedule iv of Banking Act No 30 of 1988 with amendments thereafter. HDFC bank's Head office is located at NHDA Secretariat Colombo-02, Sri Lanka.

2 Basis of Preparation

2.A). The Statement of Compliance

The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows are drawn up in conformity with the accounting standards issued by the Institute of Chartered Accountants of Sri Lanka applied consistently on a historical cost basis and fair value accounting wherever it is necessary. The financial statements are presented in Sri Lanka Rupees.

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka mandated for all specified business enterprises were used to prepare these financial statements. The comparative figures were also restated as per the above standards. These Financial Statements also provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.B). Functional and Preparation Currency

The financial statement of the Bank is presented in Sri Lankan Rupees which is the currency of the primary economic environment in which the Bank operates. The financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS) No -1 "Presentation of Financial Statements"

2.C). Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank as per the provisions of the Banking Act No. 30 of 1988 and amendments thereto and Sri Lanka Accounting Standards.

The Board of Directors acknowledge their responsibility as set out in the 'Directors' Responsibility for Financial Reporting' and the clarification given on the 'Statement of Financial Position'.

2.D). Format of Accounts and Prior Year Figures

Financial statements are presented in accordance with the format of accounts prescribed by the Central Bank of Sri Lanka and the Accounting Policies adopted by the bank are consistent with those of the previous financial year as permitted by the Sri Lanka Accounting Standard (LKAS) No .01 "Presentation of Financial Statements".

2.E). Presentation of Financial Statements

The assets and liabilities of the Bank presented in the Statement of Financial Position are grouped by their nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis of the maturity patterns of assets and liabilities of the Bank is presented in Maturity Gap Analysis Report.

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position if and only if there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.F). Materiality and Aggregation
Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on 'Presentation of Financial Statements'

2.G). Comparative Information
The comparative information is reclassified where necessary for the better presentation and to conform to the current year's presentation.

3. Significant Accounting Judgments, Estimates and Assumptions
3.A). Going Concern
The management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going-concern basis.

3.B). Valuation of Assets
3.B.i) Loans and Advances to Customers
Loans and Advances to customers are stated in the Statement of Financial Position net of ECL for possible future loan losses.

Expected Credit Loss (ECL) of Financial Assets

Overview of Expected Credit Loss (ECL) principles The Bank records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'Financial Instruments'. Equity instruments are not subject to ECL under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The Bank's policies for determining if there has been a significant increase in credit risk are set out in impairment policy. The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank's policy for grouping financial assets measured on a collective basis is explained in impairment policy. The Bank has established a policy to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

• Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Further the Bank includes credit facilities restructured up to 2 times under Stage 2.

• Stage 3: Loans considered credit impaired The Bank records an allowance for the LTECLs. Further, the Bank includes credit facilities restructured more than 2 times under Stage 3.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

• Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in impairment policy.

• Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued interest from missed payments. The EAD is further explained in impairment policy.

• Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in impairment policy.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs as set out in impairment policy. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

ECL and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in impairment policy.

The mechanics of the ECL method are summarised below:

• Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios as explained above.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above including the use of multiple scenarios but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

• Stage 3: For loans considered credit impaired, the Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.

• Loan Commitments: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down based on a probability weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability weighting of the three scenarios.

Adjustments to ECL model as a result of challenging macroeconomic outlook

In assessing expected credit losses, the Bank incorporated the effects of current macro-economic conditions and the government and other support measures on a reasonable and supportable basis. Taking into consideration of the challenging macroeconomic conditions, the ECL provisions recognised as management overlays were further increased during the year. Further, the management recognised additional ECL provisions through increasing the probability weightage for the worst-case scenario and reducing the weightage for the base-case scenario in multiple economic scenario adjustment. The Bank continued to examine the individually significant customers and ensured adequate provisions were made in the Financial Statements as required. When assessing the ECL provisions for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were applied.

Forward looking information

The Bank incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has been increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Bank considers three economic scenarios namely base case, best case and worse case.

Base case (Most Likely) scenario

The base case scenario is the Bank's view of the most likely future macroeconomic conditions. It reflects the Management's assumptions used for strategic planning and budgeting process.

Upside (Best Case) scenario

the upside scenarios is fixed by reference to average economic cycle conditions and is based on a combination of more optimistic economic events over long term horizons

Downside (Worst Case) scenario

The downside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more pessimistic economic events and uncertainty over long term horizons.

Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and international organisations such as International Monetary Fund (IMF). In its ECLmodels, the Bank relies on a broad range of forward looking information as economic inputs such as:

Quantitative factors

- GDP growth
- Unemployment rates
- Exchange rates
- Inflation price indices
- Interest rates

Qualitative factors

- Government policies
- Status of industry and business
- Regulatory impact

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in impairment policy.

1. Collective ECL Method
2. Individual ECL Method.

Collective ECL Provisions
Collective ECL provisions for possible loan losses are made in accordance with the Sri Lanka Financial Reporting Standard No. 09 on 'Financial Instruments: Recognition and Measurement in the Financial Statements of the Bank. The Bank makes the collective ECL provision on the rolling rate method where the individual ECL is not material and adjusted loss given default (LGD) Ratio considering industry variables.

Individual ECL Provisions
Acquired Properties for Sale
Properties mortgaged to HDFC Bank are auctioned if the customers are in default for a reasonable period of time and the properties which are not disposed of at such auctions are recognized as acquired properties which are presented under the loans & advances. The valuations of such properties with Cash flow predicted with reasonable assurance are made on an individual basis.

Loans over Rs. 10 Mns & Guarantor Loans over 36 months in arrears
Individual ECL is made for the loans excluding pawning, cash and guarantee loans over 36 months in arrears, over Rs.10Mn with reasonable assurance for future cash recoveries.

Cash & Gold Loans
These loans assessed based on net realizable value of the securities based on current market value of the items. If there is no ECL, applied 0.5% ECL as minimum requirement.

3.B.ii). Property, Plant & Equipment
These are recorded initially at cost plus other expenses which are necessary to bring the assets to the useable condition the details of fair value by using the latest valuation report which is not more than 3 years for land and building as per the Sri Lanka Accounting Standard (LKAS) No. 16 is disclosed separately.

Basis of Recognition
Property, Plant & Equipment are recognized, if it is probable that future economic benefits associated with the asset will flow to the bank and the cost of the asset can be reliably measured.

Basis of Measurement
The property, plant and equipment are stated at cost less accumulated depreciation, which is provided for on the basis specified below.

Depreciation Policy
Depreciation is provided at the following rates on a straight-line basis over the estimated lives of different types of assets.

Class of Assets	% per Annum
Buildings	6 2/3
Office Equipment	12.50
Furniture & Fittings	10.00
Motor Vehicles & Bicycles	20.00
Plant and Machinery	25.00
Tools & Equipment	12.50

Total annual depreciation is provided from the date of use during the useful life.

3.B.iii).Intangible Assets

The Bank's intangible assets consist of the value of purchased computer software.

Basis of Recognition

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated ECL.

Useful Economic Life and Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement in the expense category consistent with the function of the intangible asset.

De-recognition

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating incomein the Income Statement in the year the asset is derecognized.

The Bank does not possess intangible assets with indefinite useful economic life.

Class of Assets	% per Annum
Computer software -Foreign	25.00
Computer software –Local	25.00
Core Application Software	10.00

The amortization from the date of use during the useful life.

3.B.iv).Investment Property

Investment properties are recorded at current market value and the difference between carrying value and the market value is presented under other income.

3.C) Financial Assets

3.C.i) Recognition and Measurement

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted and subsequent measurement is at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus ECL.

All other financial assets are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

3.C.ii) Classification

On initial recognition, the Bank classifies financial assets into one of the following categories:

- Measured at amortized cost,
- Fair value through other comprehensive income (FVOCI); and,
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Financial Assets measured at Amortized Costs

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model (explained in note 5.3.2.3) whose objective is to hold assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets at Fair value through other comprehensive income

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial Assets at Fair value through profit or loss

All financial assets are other than those classified at Amortized Costs or FVOCI are classified as measured at FVTPL.

Financial Assets are mandatorily fair valued through profit and loss when the instruments

- are held for trading, or
- are managed, evaluated and reported internally on a fair value basis., or
- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or
- Contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

Financial Assets Designated at Fair Value through Profit or Loss

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Bank has not designated any financial asset upon initial recognition at fair value through profit or loss as at the Reporting date.

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessments of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have the option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is considered for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

3.C.iii) Reclassification

- Financial assets except financial assets that would have met the definition of loans and receivables at initial recognition may be reclassified out of the fair value through the profit or loss category and into another category in rare circumstances.

    - Policy applicable

Financial assets are not reclassified after their initial recognition, except and only in those rare circumstances when the Bank changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

- **Timing of reclassification of financial assets**

Consequent to the change in the business model, the Bank reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Measurement of reclassification of financial assets

- **Reclassification of Financial Instruments at 'Fair value through profit or loss'**
    - To Fair value through other comprehensive income
      The fair value on the reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.

    - To Amortized Costs
      The fair value on the reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

- **Reclassification of Financial Instruments at 'Fair value through other comprehensive income'**
    - To Fair value through profit or loss
      The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

    - To Amortized Costs

      The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost.

      EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

- **Reclassification of Financial Instruments at 'Amortized Costs'**
    - To Fair value through other comprehensive income
      The asset is remeasured to fair value, with any difference recognized in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

    - To Fair value through profit or loss
      The fair value on the reclassification date becomes the new carrying amount. The difference between amortized cost and fair value is recognized in profit and loss.

3.C.iv) Derecognition of Financial Assets

Financial assets are derecognized when the contractual right to receive cash flows from the asset has expired; or when Bank has transferred its contractual right to receive the cash flows of the financial assets, and either –

- Substantially all the risks and rewards of ownership have been transferred; or
- Bank has neither retained nor transferred substantially all the risks and rewards, but has not retained control of the financial asset.

3.C.v) Fair Value Measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active, if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank based on the net exposure to either market or credit risk are measured based on a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as the end of the reporting period during which the change has occurred.

3.C.vi) Identification and Measurement of ECL

Policy applicable

- **Recognition of ECL of Financial Assets**

The Bank recognizes loss allowances for Expected Credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No ECL is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

- **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components: The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

- **Modification of Financial Assets.**

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in the forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in the derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification

.a Any costs or fees incurred and modification fees received

b adjust the gross carrying amount of the modified financial assets amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of the financial difficulties of the borrower , then the gain or loss is presented together with ECL. In other cases, it is presented as interest income calculated using the effective interest rate method.

➢ **Write-off of Financial Assets**

The Bank writes off a loan or an investment debt security, and any related allowances for ECL, when Bank determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

3.D) Financial Liabilities

3.D.i)Recognition and Measurement of Financial Liabilities

➢ **Policy applicable**

On initial recognition, the Bank classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss,

➢ **Classification and Subsequent Measurement of Financial Liabilities**

The subsequent measurement of financial liabilities depends on their classification.

- **Financial Liabilities at Amortized Cost**

Financial Liabilities issued by the Bank that are not designated at fair value through profit or loss are recognized initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. After initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortized cost.

The EIR amortization is included in 'Interest expense' in the Income Statement. Gains and losses too are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process.

- **Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes

3.D.ii) Derecognition of Financial Liabilities

Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.D.iii) Due to Banks, Customers, Debt Securities Issued and Other Borrowing

Financial liabilities are recognized when Bank enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of financial liabilities is at amortized cost, using the effective interest method to amortize the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

3.D.iv) Provisions

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

3.D.v) Sale and Repurchase Agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ("repos"), they remain on the statement of financial position and a liability is recorded in respect of the consideration received.

Securities purchased under commitments to sell ("reverse repos") are not recognized on the statement of financial position and the consideration paid is recorded in "Financial assets at amortized cost - Loans to and receivables from banks", "Financial assets at amortized cost -Loans to and receivables from other customers" as appropriate. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement for loans and advances to banks and customers.

3.E) Retirement Benefits
Retirement Benefits
Defined benefit plans, Provision is made in the Accounts for retirement gratuities payable under the payment of Gratuities Act No.12 of 1983 for employees from the time of joining the bank and provision for special gratuity as per collective agreement for special employees who have completed more than 15 years using Actuarial valuation. The item is grouped under other liabilities in the Statement of Financial position.

Retirement Benefits – Defined Contribution plans

➢ **Employee provident fund**

The Bank and employees contribute to the Employee's Provident Fund at 12% and 8% on the salaries of each employee, respectively to the Provident Fund managed by the Central Bank of Sri Lanka.

➢ **Employees' Trust Fund**

The Bank contributes at the rate of 3% of the salaries of each employee to the Employees Trust Fund managed by Employee Trust Fund Board.

3.F)Other Liabilities
Other liabilities include fees, expenses and amounts payable for gratuity/pensions and other provisions. These liabilities are recorded at amounts expected to be payable at the Financial Position date.

3.G) Revenue Recognition

- **Interest Income on Loans and Advances**

Interest income is recognized on an accrual basis for all loans using the effective interest rate method.

- **Overdue Interest Income**

Overdue interest for late payment of loan installment is recognized on a cash basis for the loans except for EPF Loans.

3.H) Expenses

- **Interest on Deposits, Borrowings**

In terms of the provisions of the Sri Lanka Accounting Standard (LKAS) No. 39 borrowings are recognized on an effective interest rate method and charged to the income statement.

- **Other Expenses**

All expenditures incurred in operations and in maintaining the Properties, Plants and Equipment in a state of efficiency are charged to the Income statement in arriving at the profit or loss for the year and are recognized on an accrual basis.

3.I)Taxation
Income tax expense comprises the net of current year tax and deferred tax. Income tax expense is recognized in the Income Statement except to the extent it relates to items recognized directly in Equity in which case it is recognized in Equity

- **Current Taxation**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the tax authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Statement of Financial Position date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and expense as required by the Sri Lanka Accounting Standard (LKAS) No. 12 on "Income Taxes".

- **Deferred Taxation**

Deferred taxation is provided on the liability method. The tax effect of timing difference which occurs when items are allowed for income tax purposes in a period different from when they are recognized in financial statements is included in the provision for deferred tax at the current rate of taxation.

- **Value-Added Tax on Financial Services**

The basis for the computation of Value Added Tax on Financial Services is the accounting profit before Emoluments are paid to employees and income tax, which is adjusted for the depreciation computed on prescribed rates. The amount of Value Added Tax charged in determining the profit for the period is given in the Financial Statements.

3.J) The Statement of Cash Flow

The Cash Flow Statement has been prepared by using the "Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) No. 7 on 'Statement of Cash Flow', whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.K) Statutory Reserve Fund

5% of the net profit after tax is transferred to the statutory Reserve fund before all distributions as per CBSL Direction. However whenever the bank makes losses no distribution are being made.

3.L) General Reserve Fund

10% of the net profit after tax is transferred to the General Reserve fund before dividend distribution as per the HDFC Act. However whenever the bank makes losses no distribution are being made.

3.M) Dividends on Ordinary Shares

Dividends on Ordinary Shares are recognized as a liability and deducted from equity when they are approved by the Annual General Meeting. Dividends on Ordinary Shares for the year that are recommended by the Directors after the Statement of Financial Position date for approval of the Shareholders at the Annual General Meeting are disclosed separately to the Financial Statements.

3.N) Earnings per Share

Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Bank by the weighted-average number of Ordinary Shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to the Ordinary Shareholders by the weighted-average number of Ordinary Shares outstanding adjusted for the effects of all dilutive potential Ordinary Shares.

3.O) Inventory Valuation

The consumable stocks are recorded at cost and the issues of inventory items are based on the first in first out (FIFO) method.

3.P) Interest in Other Entities

No material interest in other entities as at the balance sheet date.

3.Q) SLFRS 16 Leases

The right to use assets are reflected in the assets which the bank has acquired on operational lease and the discounting rate used is the financial cost of fund of the bank in 2019 initially and thereafter, the respective cost of fund used before the month of the lease agreement signed on a cumulative basis during the period.

The useful life of the assets is the period of the lease agreement, and the depreciation method is the straight-line method over the useful life of the assets.

The depreciation provided using the straight-line method is debited to the income statement under depreciation and amortized cost. The finance cost which arose using the discounting rate debited to the income statement and grouped under interest cost.

3. R) Foreign Currency Translation - Transactions and Balances

Monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupees using the spot rate of exchange prevailing at the reporting date. All differences arising on nontrading activities are taken to 'Other Operating Expenses' in Profit or Loss.

3. 8) Sri Lanka Financial Reporting Standards (SLFRS) issued but not yet effective

i. SLFRS 18 - Presentation and Disclosure in Financial Statements

Effective for annual reporting periods beginning on or after 1st January 2027. Early application is permitted.

ii.SLFRS 9 - Financial Instruments (amendment)

The amendments to SLFRS 9 (Financial Instruments) are effective for annual reporting periods beginning on or after 1 January 2026

iii. SLFRS 7 – Disclosures (amendments)

The consequential amendments to SLFRS 7 (Disclosures) are effective for annual reporting periods beginning on or after 1 January 2026

Notes to the Financial Statements

4 Net Interest Income

In Rupees	2025	2024
Interest income		
Cash and cash equivalents	-	-
Balances with central banks	-	-
Placements with banks	37,744,008	3,141,922
Derivative financial instruments	-	-
Financial assets recognized through profit or loss		
- measured at fair value	-	-
- designated at fair value	-	-
Financial assets at amortised cost		
- loans and advances	5,348,778,252	5,835,844,399
- debt and other instruments	1,684,823,985	556,408,236
Financial assets measured at fair value through other comprehensive income	(4,284,849)	1,428,500,654
Reverse repo with primary dealers	361,833,854	345,849,448
Total interest income	**7,428,895,249**	**8,169,744,660**
Interest expenses		
Due to banks	74,919,408	47,979,242
Derivative financial instruments	-	-
Financial liabilities recognized through profit or loss		
– measured at fair value	-	-
– designated at fair value	-	-
Financial liabilities at amortised cost		
– due to depositors	4,259,395,680	5,043,003,112
– due to debt securities holders	181,883,074	202,053,135
– due to other borrowers	46,139,406	50,205,093
Others	43,748,607	44,754,218
Total interest expenses	**4,606,086,176**	**5,387,994,800**
Net interest income	**2,822,809,073**	**2,781,749,859**

a. Net interest income from Sri Lanka Government Securities

In Rupees	2025	2024
Interest income	1,362,696,521	1,829,090,379
Less: Interest expenses	-	-
Net interest income	**1,362,696,521**	**1,829,090,379**

5 Net Fee and Commission Income

In Rupees	2025	2024
Fee and commission income	250,223,478	330,337,224
Fee and commission expenses	-	-
Net fee and commission income	**250,223,478**	**330,337,224**
Comprising		
Loans	173,238,240	234,102,536
Cards	7,577,675	7,575,628
Trade and remittances	-	-
Investment banking	-	-
Deposits account	65,197,172	74,396,291
Guarantees	5,085	18,136
Others	4,205,306	14,244,633
Net fee and commission income	**250,223,478**	**330,337,224**

6 Net Gain/(Loss) from Trading

In Rupees	2025	2024
Foreign exchange	-	-
- From banks	-	-
- From other customers	-	-
Fixed income securities	-	-
Equity securities	-	-
Derivative financial instruments	-	-
Treasury Bond	-	-
Total	-	-

7 Net Fair Value Gains/(Losses) From Financial Instruments at Fair Value Through Profit or Loss

In Rupees	2025	2024
Gains on financial assets at fair value through profit or loss	-	-
Losses on financial assets at fair value through profit or loss	-	-
Gains on financial liabilities at fair value through profit or loss	-	-
Losses on financial liabilities at fair value through profit or loss	-	-
Total	-	-

8 Net Gains/(Losses) From Derecognition of Financial Assets

In Rupees	2025	2024
Recognised at:		
Fair value through other comprehensive income	-	-
Total	-	-

9 Net Other Operating Income

In Rupees	2025	2024
Gain/(Loss) on investment properties	50,500,000	-
Gain/(Loss) on sale of property, plant and equipment	61,632	6,287,460
Gain/(Loss) on revaluation of foreign exchange	-	-
Recovery of loans written-off	-	-
Less: Loans written off	-	-
Dividend income	291,200	268,900
Total	**50,852,832**	**6,556,360**

10 Impairment Charges

In Rupees	2025	2024
Placement with banks		
Stage 1	190,649	(1,573)
Financial assets at amortised cost - loans and advances (Note 21(b))		
Stage 1	(74,226,904)	4,019,394
Stage 2	(19,691,674)	(68,265,769)
Stage 3	513,519,450	341,297,247
Financial assets at amortised cost – debt instruments		
Stage 1	432,159	(712,059)
Stage 2	-	-
Stage 3	-	-
Financial assets measured at fair value through other comprehensive income (Note 23(b))		
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
Contingent liabilities & commitments (Note 45(a))		
Stage 1	613,953	-
Stage 2	(2,168)	-
Stage 3	92,844	-
Investment in subsidiaries (Note 24(a))	-	-
Investments in associates and joint ventures (Note 25(a))	-	-
Property, plant and equipment (Note 26(c))	-	-
Investment properties (Note 27(b))	-	-
Special Gold Loan Loss	-	1,669,570
Total	**420,928,306**	**278,006,812**

11 Personnel Expenses

In Rupees	2025	2024
Salary and bonus	1,007,358,410	1,075,100,076
Non-statutory special payments to Directors/CEO and KMP at the termination of employment or at the retirement	-	-
Contributions to defined contribution/benefit plans	150,717,282	148,301,211
Provision for defined benefit obligations	158,158,874	160,260,780
Share based expenses	-	-
Ex- Gratia to Key Management Personnel	-	-
Ex- Gratia to other than KMPs	-	544,711
Others	282,497,926	262,171,694
Total	**1,598,732,491**	**1,646,378,472**

12. a Depreciation & Amortization

Year	2025	2024
Depréciation of Property plant & equipment	46,307,296	50,913,535
Amortization of Right to use Assets	82,111,827	77,543,805
Amortization on Intangible Assets	38,169,465	44,306,839
Total	**166,588,587**	**172,764,178**

12. b Other Expenses

In Rupees	2025	2024
Directors' emoluments	4,512,000	4,559,333
Auditors' remunerations	3,506,400	3,122,870
Non-audit fees to auditors	-	-
Professional and legal expenses	34,448,633	37,904,488
Office administration and establishment expenses	116,208,818	122,550,479
Transport and allied expenses	14,392,188	17,179,647
Printing and Postage	50,108,458	50,241,506
Insurance and Security	94,555,419	95,812,105
Fine & Surcharge	-	-
Business Development and Advertising	4,938,924	21,409,221
Computer License	100,489,444	104,828,073
Others	185,257,122	151,672,047
Total	**608,417,406**	**609,279,768**

13 Income Tax Expenses

In Rupees	2025	2024
Current tax expense		
Current year	217,081,696	209,797,929
Prior years' provision	987,902	52,013,693
Deferred tax expense	-	-
Effect of change in tax rates	-	-
Temporary differences	(115,438,219)	(7,285,658)
Prior years' provision	-	-
Total	**102,631,379**	**254,525,963**

a. Income Tax reconciliation		
Amounts Recognised in Profit or Loss	102,631,379	254,525,963
Amounts Recognised in Other Comprehensive Income	(28,931,822)	(39,353,155)
	73,699,557	**215,172,808**

b. Amounts Recognised in Profit or Loss		
Current Tax Expense		
Tax on current year's profits	217,081,696	209,797,929
(Over)/ under provision in respect of previous years	987,902	52,013,693
	218,069,598	**261,811,622**
Deferred Tax Expense		
Charge/ (reversal) on temporary differences	(115,438,219)	(7,285,658)
Impact on changes in tax rates	-	-
	(115,438,219)	**(7,285,658)**
Total income tax expense recognised in profit or loss	**102,631,379**	**254,525,963**

c. Amounts Recognised in Other Comprehensive Income		
Deferred Tax Expense		
Charge/ (reversal) on temporary differences	(28,931,822)	(39,353,155)
Impact on changes in tax rates		
Total income tax expense recognised in other comprehensive income	(28,931,822)	(39,353,155)

d. Change to Deferred tax charge/ (Reversal) recognised on other comprehensive income derived from		
Deferred tax assets		
Deferred tax assets	-	-
Deferred tax charge/ (reversal) to Other Comprehensive Income	-	-

e. Reconciliation of Accounting Profit to Income Tax expenses		
In Rupees	**2025**	**2024**
Profit/(loss) before tax	**9,517,447**	**63,869,761**
Disallowable expenses for tax Purpose	1,060,367,163	958,527,516
Allowable expenses for tax Purpose	(346,278,958)	(323,070,845)
Income tax for the period (Accounting profit @ applicable tax rate)	2,855,234	19,160,928
Adjustment in respect of current income tax of prior periods	987,902	52,013,693
Deferred Tax	(115,438,219)	(7,285,658)
Add: Tax effect of expenses that are not deductible for tax purposes	318,110,149	287,558,255
(Less): Tax effect of expenses that are deductible for tax purposes	(103,883,687)	(96,921,254)
Tax on Current Year Profit	**217,081,696**	**209,797,930**
Tax expense for the period	**102,631,378**	**254,525,964**
Effective Tax Rate with Deferred Tax *	1068%	317%
Effective Tax Rate(on Current Year Tax) *	2281%	328%

* The effective tax rate is very high due to lower operational profit, higher VAT and SSCL on Financial Services.

f. The Deferred Tax (Credit)/Charge in the Income Statement Comprise of the Following		
In Rupees	**2025**	**2024**
Deferred tax assets	(122,613,362)	157,592
Deferred tax liabilities	7,175,143	(7,443,250)
Other temporary differences	-	-
Deferred tax (credit)/charge to income Statement	**(115,438,219)**	**(7,285,658)**

14 **Earnings Per Share**

In Rupees	2025	2024
Net profit attributable to ordinary equity holders	(93,113,931)	(190,656,202)
Adjust:		
Interest on preference shares	-	-
Interest on convertible bonds	-	-
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	-	-
Weighted average number of ordinary shares for basic earnings per share	64,710,520	64,710,520
Effect of dilution	-	-
Convertible bonds	-	-
Convertible preference shares	-	-
Others	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	-	-
Basic earnings per ordinary share (Rs.)	**(1.44)**	**(2.95)**
Diluted earnings per ordinary share (Rs.)	**(1.44)**	**(2.95)**

15 a. Analysis of Financial Instruments by Measurement Basis – as at 31.12.2025

In Rupees - Bank	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
ASSETS				
Cash and cash equivalents	260,851,252	-	-	260,851,252
Balances with central banks	-	-	-	-
Placements with banks	2,673,579,497	-	-	2,673,579,497
Derivative financial instruments		-	-	-
Loans and advances	34,509,664,971	-	-	34,509,664,971
Financial assets measured at Amortised Cost	23,480,913,743	-	-	23,480,913,743
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Equity instruments	-	-	-	-
Total financial assets	**60,925,009,463**	-	-	**60,925,009,463**
Other Assets	-	-	-	2,811,104,285
Total assets	**60,925,009,463**	-	-	**63,736,113,749**

In Rupees	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Other	Total
LIABILITIES				
Due to banks	1,903,695,542	-	-	1,903,695,542
Derivative financial instruments	-	-	-	-
Financial liabilities	-	-	-	-
- due to depositors	50,568,905,930	-	-	50,568,905,930
- due to debt security holders	-	-	-	-
- due to other borrowers	1,779,504,207	-	-	1,779,504,207
Total financial liabilities	**54,252,105,678**	-	-	**54,252,105,678**
Non Financial Liabilities	-	-	-	1,931,650,357
Equity	-	-	-	7,552,357,713
Total liabilities & Equities	**54,252,105,678**	-	-	**63,736,113,749**

b. Analysis of Financial Instruments by Measurement Basis – as at 31.12.2024

In Rupees - Bank	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
ASSETS				
Cash and cash equivalents	324,619,439	-	-	324,619,439
Balances with central banks	-	-	-	-
Placements with banks	36,283,124	-	-	36,283,124
Derivative financial instruments	-	-	-	-
Loans and advances	40,130,468,733	-	-	40,130,468,733
Financial assets measured at Amortised Cost	17,697,880,565	-	-	17,697,880,565
Financial assets measured at fair value through other comprehensive income	-	-	4,739,113,040	4,739,113,040
Equity instruments	-	-	-	-
Total financial assets	**58,189,251,860**	**-**	**4,739,113,040**	**62,928,364,900**
Other Non Financial Assets	-	-	-	2,514,994,687
Total assets	**58,189,251,860**	**-**	**4,739,113,040**	**65,443,359,587**

In Rupees - Bank	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
LIABILITIES				
Due to banks	566,485,896	-	-	566,485,896
Derivative financial instruments	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-
- due to depositors	52,005,315,939	-	-	52,005,315,939
- due to debt security holders	1,427,189,326	-	-	1,427,189,326
- due to other borrowers	1,896,666,186	-	-	1,896,666,186
Total financial liabilities	**55,895,657,346**	**-**	**-**	**55,895,657,346**
Non Financial Liabilities	-	-	-	1,834,723,021
Equity	-	-	-	7,712,979,230
Total liabilities & Equity	**55,895,657,346**	**-**	**-**	**65,443,359,587**

l Cash Equivalents

ees	2025	2024
n hand	151,429,565	174,104,903
nces with banks	109,421,687	150,514,536
ey at call and short notice	-	-
tal	**260,851,252**	**324,619,439**

Balances with Central Banks

In Rupees	2025	2024
Statutory balances with central banks		
- Central bank of Sri Lanka	-	-
- Other central banks	-	-
Non-statutory balances with central banks		
- Central bank of Sri Lanka	-	-
- Other central banks	-	-
Total balances with central banks	-	-

18 Placements with Banks – Sri Lanka

In Rupees	2025	2024
Deposits with LCBs	2,573,753,050	36,288,005
Reverese Repo with LCBs	100,021,978	
Expected credit losses	(195,531)	(4,881)
Total	**2,673,579,497**	**36,283,124**

19 Derivative Financial Instruments

In Rupees	2025	2024
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate futures	-	-
Interest rate options	-	-
Others	-	-
Foreign currency derivatives		
Currency swaps	-	-
Forward foreign exchange contracts	-	-
Others	-	-
Others	-	-
Total	-	-

20 Financial Assets Recognized Through Profit or Loss

In Rupees	2025	2024
Measured at fair value		
Sri Lanka Government Securities		
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
Sub total	-	-
Designated at fair value		
Sri Lanka Government Securities		
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
Sub total	-	-
Total	-	-

a. Analysis

In Rupees	2025	2024
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	-
Gross total	-	-
By currency		
Sri Lankan Rupee	-	-
United States Dollar	-	-
Gross total	-	-

21 Financial Assets at Amortised Cost – Loans and Advances

In Rupees	2025	2024
Gross loans and advances		
Stage 1	14,773,989,849	16,938,320,311
Stage 2	3,904,090,327	5,258,788,065
Stage 3	18,779,409,352	20,460,879,546
	37,457,489,527	**42,657,987,922**
(Less): Accumulated impairment		
Stage 1	(215,359,763)	(288,972,714)
Stage 2	(191,717,464)	(211,411,306)
Stage 3	(2,540,747,330)	(2,027,135,168)
Subtotal	**(2,947,824,556)**	**(2,527,519,189)**
Net loans and advances	**34,509,664,971**	**40,130,468,733**

Loans and Advances	2025	2024
[illegible]	-	-
[illegible]e	-	-
[illegible]able	1,362,089,871	596,091,376
[illegible]ls	-	-
[illegible]	1,918,736,522	1,436,340,081
[illegible]ns	2,016,167,120	1,815,688,320
[illegible]oans	-	-
Short-term	-	-
Long-term	32,160,496,015	38,809,868,145
[illegible]ers		
Sri Lanka Government Securities	-	-
Others	-	-
[illegible]s total	**37,457,489,527**	**42,657,987,922**
[illegible]urrency		
Sri Lankan Rupee	37,457,489,527	42,657,987,922
United States Dollar	-	-
Great Britain Pound	-	-
Others	-	-
Gross total	**37,457,489,527**	**42,657,987,922**
By industry		
Agriculture and fishing	1,015,458,924	3,781,802,814
Manufacturing	-	5,989,360,815
Tourism	-	500,419,590
Transport	-	3,296,875,284
Construction	28,535,748,199	15,115,604,537
Traders	1,375,299,211	2,599,395,604
New economy	-	675,337,773
Others	6,530,983,193	10,699,191,503
Gross total	**37,457,489,527**	**42,657,987,922**

b. Movements in impairment during the year

In Rupees	2025	2024
Stage 1		
Opening balance as at 01/01	288,972,714	284,953,320
Charge/(Write back) to income statement	(73,612,952)	4,019,394
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	**215,359,763**	**288,972,714**
Stage 2		
Opening balance as at 01/01	211,411,306	279,677,075
Charge/(Write back) to income statement	(19,693,842)	(68,265,769)
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	**191,717,464**	**211,411,306**
Stage 3		
Opening balance as at 01/01	2,027,135,168	1,685,837,921
Charge/(Write back) to income statement	513,612,161	341,297,247
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	**2,540,747,330**	**2,027,135,168**
Total Expected Credit Loss Allowance on Loans and Advances	**2,947,824,553**	**2,527,519,189**

c. Lease rentals receivable (Disclose as per SLFRS 16)

In Rupees	2025	2024
Lease rentals receivable within one year	608,506,925	266,392,072
Lease rentals receivable one to five years	751,407,458	328,951,046
Lease rentals receivable more than five years	2,175,489	952,385
Total	**1,362,089,871**	**596,295,503**

22 Financial Assets at Amortised Cost – Debt and Other Instruments

In Rupees	2025	2024
Sri Lanka Government securities		
Treasury Bills	3,331,835,151	10,697,444,096
Treasury Bonds	9,741,960,850	1,804,925,199
Corporate Debt Instruments	1,752,466,277	1,756,644,406
Social Bond	233,316,917	
Placements with Non Banks	2,646,707,769	
Commercial Paper	1,005,473,875	
Trust certificates	503,488,656	-
Reverse Repo with Non LCBs	4,345,132,093	3,517,933,151
Investment In CRIB	30,600	
Impairment for expected credit losses	-	-
Stage 01	(1,466,879)	(1,034,719)
Stage 03	(78,031,567)	(78,031,567)
Total	**23,480,913,743**	**17,697,880,565**

a. Analysis	2025	2024
In Rupees		
By Collateralisation		
Pledged as collateral	-	-
Unencumbered	23,480,913,743	17,697,880,565
Gross total	**23,480,913,743**	**17,697,880,565**
By currency		
Sri Lankan Rupee	23,480,913,743	17,697,880,565
United States Doller	-	-
Other	-	-
Gross total	**23,480,913,743**	**17,697,880,565**

b. Movements in impairment during the year

In Rupees	2025	2024
Stage 1		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 2		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 3		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		

23 **Financial Assets at Fair Value Through Other Comprehensive Income**

In Rupees	2025	2024
Sri Lanka Government Securities	-	4,739,113,040
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
(Less): Impairment	-	-
Net financial assets at fair value through other comprehensive income	-	**4,739,113,040**

a. Analysis

In Rupees	2025	2024
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	4,739,113,040
Gross total	-	**4,739,113,040**
By currency		
Sri Lankan Rupee	-	4,739,113,040
United States Dollar	-	-
Others	-	-
Gross total	-	**4,739,113,040**

b. Movements in impairment during the year

In Rupees	2025	2024
Stage 1		
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-
Stage 2		
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-
Stage 3		
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-

24 **Investments in Subsidiaries**

In Rupees	2025	2024
Quoted equity investments	-	-
Unquoted equity investments	-	-
(Less): Impairment	-	-
Net total	-	-

a. Movements in Impairment during the Year

In Rupees	2025	2024
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-

15 **Investments in Associates and Joint Ventures**

In Rupees	**2025**	**2024**
Associates	-	-
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Joint Ventures		
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Total	-	-

Note: Please provide details of associates and joint ventures separately

a. Movements in Impairment during the Year

In Rupees	**2025**	**2024**
Associates		
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-
Joint Ventures		
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-

26 Property, Plant and Equipment

a. Property, Plant and Equipment -Bank

In Rupees

Description	Free hold Land and Buildings	Leasehold Properties	Computer Hardware	Office Equipment, Furniture and Fittings	Others	Total
2025 (Current year)						
Cost/fair value						
Opening balance at 01/01/2025	17,575,000	-	269,500,251	446,508,151	125,300,538	858,883,940
Additions	-	-	20,589,448	4,026,679	0	24,616,127
Disposals	-	-	5,045,809	3,041,769	-	8,087,578
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	-	-
Closing balance at 31/12/2025	17,575,000	-	285,043,890	447,493,061	125,300,538	875,412,490
(Less): Accumulated depreciation/Amortization						
Opening balance at 01/01/2025	7,261,800	-	184,372,071	355,726,549	124,325,265	671,685,686
Charge for the year	518,700	-	22,824,275	22,036,510	927,810	46,307,296
Additions	-	-	-	-	-	-
Disposals	-	-	4,890,766	3,039,495	-	7,930,260
Exchange rate variance	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
Closing balance at 31/12/2025	7,780,500	-	202,305,581	374,723,564	125,253,075	710,062,721
(Less): Impairment	-	-	-	-	-	-
Net book value at 31/12/2025	**9,794,500**	**-**	**82,738,309**	**72,769,497**	**47,463**	**165,349,769**
Market value at 31/12/2025						

Description	Free hold Land and Buildings	Leasehold Properties	Computer Hardware	Office Equipment, Furniture and Fittings	Others	Total
2024 (Previous year)						
Cost/fair value						
Opening balance at 01/01/2024	17,575,000	-	262,888,630	442,211,648	133,111,413	855,786,691
Additions	-	-	9,786,721	8,382,425	-	18,169,146
Disposals	-	-	3,175,100	4,085,922	5,325,000	12,586,022
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	(2,485,875)	(2,485,875)
Closing balance at 31/12/2024	17,575,000	-	269,500,251	446,508,151	125,300,538	858,883,940
(Less): Accumulated depreciation/Amortization						
Opening balance at 01/01/2024	6,743,100	-	164,406,000	333,697,109	128,365,861	633,212,070
Charge for the year	518,700	-	23,071,113	26,039,317	1,284,404	50,913,535
Additions	-	-	-	-	-	-
Disposals	-	-	3,105,042	4,009,877	5,325,000	12,439,919
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	-	-
Closing balance at 31/12/2024	7,261,800	-	184,372,071	355,726,549	124,325,265	671,685,686
(Less): Impairment	-	-	-	-	-	-
Net book value at 31/12/2024	**10,313,200**	**-**	**85,128,180**	**90,781,602**	**975,273**	**187,198,254**
Market value at 31/12/2024						

a. Fully depreciated and depreciable Property, Plant and Equipment

In Rupees

in 2025	Fully depreciated	Depreciating		Total
Free hold PPE				
Land and Buildings	-	7,780,500		7,780,500
Computer Hardware	193,513,676	91,530,214		285,043,890
Office Equipment, Furniture and Fittings	290,553,623	156,939,438		447,493,061
Plant and Machinery	41,186,561	5,109,599		46,296,159
Tools	85,445	52,286		137,731
Motor Vehicle	78,866,648	-		78,866,648
Free hold PPE Total	**604,205,952**	**261,412,037**		**865,617,989**
Leased hold PPE				
Motor Vehicle	-	-		-
Leased hold PPE Total	-	-		-
Total Fully depreciated and depreciable PPE	**604,205,952**	**261,412,037**		**865,617,989**

in 2024	Fully depreciated	Depreciating		Total
Free hold PPE				
Land and Buildings	-	7,780,500		7,780,500
Computer Hardware	86,217,860	176,670,770		262,888,630
Office Equipment, Furniture and Fittings	205,559,566	236,652,081		442,211,648
Plant and Machinery	41,186,561	5,109,599		46,296,159
Tools	81,695	56,036		137,731
Motor Vehicle	84,191,648	-		84,191,648
Free hold PPE Total	**417,237,329**	**426,268,987**		**843,506,316**
Leased hold PPE				
Motor Vehicle	-	-		-
Leased hold PPE Total	-	-		-
Total Fully depreciated and depreciable PPE	**417,237,329**	**426,268,987**		**843,506,316**

b. Information on Free hold Land and Building of Bank

In Rupees

Location	Extent	Building -Square feet	Net Book Value	No of Buildings	Market Value
Kalutara Branch- No-13, Gnanodaya Mw, Kalutara South, Kalutara.	P 7.535	3,953	9,794,500	1	60,000,000

Date of Valuation	17th December 2025
Name of the Valuer	D.L. Samarasinghe ,AIV(SL)
Qulification of the Valuer	Incorporated Independent Valuer

c). Temporarily Idle Property, Plant and Equipment
There was no idle property, plant and equipment as at 31st December 2025 (2024: NIL).

d). Property, Plant and Equipment Retired from Active Use
There was no Retired from Active Use property, plant and equipment as at 31st December 2025 (2024: NIL).

e). Title Restriction on Property, Plant and Equipment
There were no restrictions on the title of property, plant and equipment as at 31st December 2025 (2024: NIL).

f). Property, Plant and Equipment Pledged as Security against Liabilities
There were no items of property, plant and equipment pledged as securities against liabilities as at 31st December 2025 (2024: NIL).

g). Compensation from Third Parties for Items of Property, Plant and Equipment
There were no compensations received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up as at 31st December 2025 (2024: NIL).

HDFC Bank was depreciated its' assets on a straight-line basis over the estimated lives of different types of assets. As per the depreciation policy annual depreciation is provided depreciation for the year of use and no is provided for the year of disposal. The Bank has deviated from the section 55 of the LKAS 16, in consideration of the practical difficulties of calculating depreciation from the date of use of different classes of assets.

27 Intangible Assets

In Rupees In 2025	Computer Software Local	Computer Software Foreign	Core Banking,Core Banking Realated Software & WIP Core Banking	Total
Cost				
Opening balance at 01/01/2025	45,834,401	105,474,949	250,073,189	401,382,539
Additions	-	-	-	-
Closing balance at 31/12/2025	45,834,401	105,474,949	250,073,189	401,382,539
(Less): Accumulated Amortization	-	-	-	-
Opening balance at 01/01/2025	40,078,965	100,726,091	194,934,484	335,739,541
Charge for the year	1,881,253	4,533,693	31,754,518	38,169,465
Closing balance at 31/12/2025	41,960,218	105,259,784	226,689,003	373,909,005
(Less): Impairment	-	-	-	-
Net book value at 31/12/2025	**3,874,183**	**215,165**	**23,384,186**	**27,473,534**
2024				
Cost				
Opening balance at 01/01/2024	41,229,788	105,474,949	246,623,189	393,327,926
Additions	4,604,613	-	3,450,000	8,054,613
Closing balance at 31/12/2024	45,834,401	105,474,949	250,073,189	401,382,539
(Less): Accumulated Amortization	-	-	-	-
Opening balance at 01/01/2024	34,381,923	93,870,813	163,179,966	291,432,702
Charge for the year	5,697,042	6,855,278	31,754,518	44,306,839
Closing balance at 31/12/2024	40,078,965	100,726,091	194,934,484	335,739,541
Net book value at 31/12/2024	**5,755,436**	**4,748,858**	**55,138,704**	**65,642,998**

a. Fully amortized and amortizable Intangible assets

In Rupees Intangible assets	Fully Amortized	Amortizable	Total
Computer Software Local	38,309,388	7,525,013	45,834,401
Computer Software Foreign	87,340,164	18,134,785	105,474,949
Core Banking Software	199,341,858.09	47,281,331	246,623,189
Total	**324,991,411**	**72,941,128**	**397,932,539**

b. There were no restriction on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

28 Right of Use Assets

In Rupees	2025	2024
ROUA net of Depreciation	283,762,098	262,449,082
Total	**283,762,098**	**262,449,082**

SLFRS 16 - "Leases", requires lessee to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right-of-use assets w.e.f. 01.01.2019.

a. Leases as lessee

The Bank has obtained certain branches and office premises under Lease. The leases generally run for a period of 10 years, with an option to renew the lease after that date.

b. Right of Use Assets

In Rupees	2025	2024
Balance as at 01/01	262,449,082	304,420,217
Additions during the year with opening adjustments	103,424,843	35,572,669
Prepayments	-	-
Less: Amortisation charge for the year	(82,111,827)	(77,543,805)
Balance as at 31/12	**283,762,098**	**262,449,082**

29 Investment Properties

a. Investment Properties at fair value

The Bank has subsequent measured its Investment Properties at fair value. The reconciliation shows the carrying amount of the investment properties as of the reporting date.

In Rupees	2025	2024
Opening balance at 01/01	1,284,000,000	1,284,000,000
Additions	50,500,000	-
Disposals		
Exchange rate variance		
Adjustments		
Closing balance at 31/12	**1,334,500,000**	**1,284,000,000**

There were no direct expenses incurred for the properties in the financial year.

In Rupees	2025	2024
Fair value		
Opening balance at 01/01/	1,284,000,000	1,284,000,000
Additions(Valuation Gain)	50,500,000	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance at 31/12/	1,334,500,000	1,284,000,000
(Less): Accumulated depreciation		
Opening balance at 01/01/	-	-
Charge for the year	-	-
Additions	-	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance at 31/12/	-	-
(Less): Impairment	-	-
Net book value at 31/12	**1,334,500,000**	**1,284,000,000**
Market value at 31/12	**1,334,500,000**	**1,284,000,000**

b. Movements in Impairment During the Year

In Rupees	2025	2024
Opening balance at 01/01/	-	-
Charge/ (Write back) to income statement	-	-
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
Closing balance at 31/12	-	-

c. Investment Properties Valuation details

In Rupees

Location	Extent (Perches)	Deed No	Bank	
			2025	2024
No; 441 Sangarajah Mw,Kotahena,Aluthkade East (Number buildings - 00, Valuation date - 13th December 2025, Valuation method - Direct comparison method)	59.20	1127	343,000,000	325,000,000
No.192 Srimath Bandaranayake Mw,,Kotahena Colombo 13. (Number buildings - 06 - Decayed & Dilapidated , Valuation date - 13th December 2025, Valuation method - Direct comparison method)	123.20	1124	862,000,000	838,000,000
No.192 (Part) Sri Sangarajah Mawatha,Kotahena Colombo 13. (Number buildings - 01 - Decayed & Dilapidated, Valuation date - 13th December 2025, Valuation method - Direct comparison method)	15.00	1126	108,000,000	102,000,000
Avissawella -Housing Project (Number buildings - 00, Valuation date - 13th December 2025, Valuation method - Potential usage for residential activities)	103.90	1370	21,500,000	19,000,000
Total			**1,334,500,000**	**1,284,000,000**

Revaluation of Lands
No 441 Sri Sangaraja Mw, Kotahena, Aluthkade East Deed No 1127
No.192 Srimath Bandaranayake Mw,,Kotahena Colombo 13.
No.192 (Part) Sri Sangarajah Mawatha,Kotahena Colombo 13.

Name of the Valuer	E.M.C.N. Kumarihami ,AIV(SL) Incorporated
Qulification of the Valuar	Independent Valuer
Valuation Date	13th December 2025

Revaluation of Avissawella -Housing Project

Name of the Valuar	W.K.K.A.P. Kodithuwakku,AIV(SL) Incorporated
Qulification of the Valuar	Independent Valuer
Valuation Date	20th December 2025

Analysis Of The Valuation - Avissawella Housing Project

The entire land to be valued is 32.70 perches of land and situated within the Urban council of Seethawaka, and 1.4 Km away from Colombo - Ratnapura main road and about 1.5 Km off Awissawella town center.

The survey plan related to these two plots of land has not been approved by the local government. There must be permission to use land for residential purposes and the valuation is based on that. Subject to the relevant approval, the valuation has been done assuming that there is an approval done for these lands. (Subdivision & condominium approvals)

My expectation and exercise are to determine the value of the property and all improvements to the land. Under this caption, all infrastructure such as drains, Roads, Boundary demarcation, Land development, etc. is not separately considered. The rates are adopted considering all the facilities.

The demand in the area is such that it is not difficult to find a suitable purchaser for a property of this nature in case of a forced sale.

In view of the present demand for lands in the locality and considering the location and facilities available, I adopt a rate of Rs.200,000/- per perch for the land. So, the valuation is made considering its potential usage for residential activities.

Analysis Of The Valuation - BMC Land

This approch generally provides the best value estimate for vacant land where the highest and best used would be to raze the existing improvements. Presently to enter this property from main access road through the BMC premises. Current market value indicate that land plots in the area fetch around Rs. 5,000,000 to Rs. 8,500,000 per perch. For the subject site has 30 feet wide road a rate of Rs. 6,800,000 can be adopted.

All the buildings are decayed or dilapidated. Therefore the buildings are not considered in the valuation. Rate per perch was adopted by considering demolition cost and site clearance cost.

On direct comparison method of valuation considering the present trend in the property market and rates are proposed after having taken into consideration the features inherent to subject property, shape, extent of locality, accessibility, nature of development in the vicinity and market conditions.

30 Goodwill and Intangible Assets

In Rupees	2025	2024
Goodwill		
Opening balance 01/01/	-	-
Adjustments	-	-
(Less): Impairment	-	-
Sub-total (closing balance at 31/12/)	-	-
Other Intangible Assets	-	-
Opening balance at 01/01/	-	-
Adjustments	-	-
(Less): Impairment	-	-
Sub-total (closing balance at 31/12/)	-	-
Total	-	-

1 **Net Deferred Tax Assets/(Liabilities)**

In Rupees	**2025**	**2024**
Opening balance 01/01/	505,382,153	458,743,340
Charge for the year recognized in		
- profit and loss	173,301,864	85,991,968
- other comprehensive income/Retained Earnings	(28,931,822)	(39,353,155)
Closing balance 31/12/	**649,752,194**	**505,382,153**
Deferred Tax Assets	840,194,973	685,049,304
Deferred Tax Liabilities	190,442,779	179,667,150
Net Differed Tax Assets/(Liabilities)	**649,752,194**	**505,382,153**
a. Deferred tax asset		
Balance as at 01/01	685,049,304	656,679,880
Reversed/ (Originated) during the year - recognised in profit or loss	122,613,362	(157,592)
Impact due to change in tax rate - recognised in profit or loss	-	-
Reversed/ (Originated) during the year - recognised in other comprehensive income	32,532,308	28,527,015
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	**840,194,973**	**685,049,304**
b. Deferred tax liability		
Balance as at 01/01	(179,667,150)	(197,936,540)
Reversed/ (Originated) during the year - recognised in profit or loss	(7,175,143)	7,443,250
Impact due to change in tax rate - recognised in profit or loss	-	-
Reversed/ (Originated) during the year - recognised in other comprehensive income	(3,600,485)	10,826,140
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	**(190,442,779)**	**(179,667,150)**
Net deferred tax asset/ (liability)	649,752,194	505,382,153
c. Amounts recognized in the Income Statement		
Recognized in profit or loss	115,438,219	7,285,658
Recognized in other comprehensive income	28,931,822	39,353,155
	144,370,041	46,638,813

d. Deferred tax assets / (liabilities) are originated due to the temporary difference on following assets and liabilities.

Composition of Net deferred tax asset/ (liability)	**2025**		**2024**	
	Temporary Difference	**Tax Effect**	**Temporary Difference**	**Tax Effect**
	LKR	**LKR**	**LKR**	**LKR**
a. Deferred tax asset				
Accelerated depreciation for tax purposes – Property, plant and equipment	(1,777,948)	(533,385)	5,173,566	1,552,070
Expected credit loss – loans to and receivable from other customers	481,975,375	144,592,613	(53,707,733)	(16,112,320)
Expected credit loss – Debt and other instruments	622,810	186,843	(713,631)	(214,089)
Post employment benefit obligation	(74,151,969)	(22,245,591)	58,724,984	17,617,495
Actuarial Loss - OCI	108,441,025	32,532,308	95,090,050	28,527,015
Debt instruments at fair value through other Comprehensive Income			-	-
Right-of-use assets	2,042,940	612,882	(10,002,491)	(3,000,747)
	517,152,232	155,145,670	94,564,744	28,369,423
b. Deferred tax liability				
Accumulated depreciation for tax purposes – Property, plant and equipment	26,582,855	7,974,857	24,810,834	7,443,250
Debt instruments at fair value through other Comprehensive Income	(12,001,618)	(3,600,485)	36,087,132	10,826,140
Revaluation Gain on Investment Properties	(50,500,000)	(15,150,000)	-	-
	(35,918,763)	(10,775,629)	60,897,965	18,269,390
Net deferred tax asset/ (liability)	481,233,469	144,370,042	155,462,709	46,638,814

32 **Other Assets**

In Rupees	2025	2024
Receivables	242,016,388	117,007,225
Deposits and prepayments	560,331	731,331
Sundry debtors	56,827,381	58,959,959
Others	50,862,591	33,623,683
Total Other Assets	**350,266,691**	**210,322,200**

33 **Due to Banks**

In Rupees	2025	2024
Borrowings	1,903,695,542	566,485,896
Securities sold under repurchase (repo) Agreements	-	-
agreements	-	-
Others	-	-
Total due to Banks	**1,903,695,542**	**566,485,896**

34 **Derivative Financial Instruments**

In Rupees	2025	2024
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate options	-	-
Others	-	-
Foreign exchange derivatives		
Currency swaps	-	-
Forward foreign exchange contracts	-	-
Others	-	-
Others		
Total	-	-

35 **Financial liabilities recognized through profit or loss**

In Rupees	2025	2024
Measured at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Designated at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Total	-	-

36 **Financial liabilities at amortised cost**

In Rupees	2025	2024
Due to depositors	50,568,905,930	52,005,315,939
Debt securities issued by the bank	-	-
Securities sold under repurchase (repo) Agreements	-	-
Others Borrowers	1,498,254,274	1,615,416,188
Total	**52,067,160,204**	**53,620,732,126**

a. Analysis of amount due to depositors

In Rupees	2025	2024
By product		
Demand deposits (current accounts)	-	-
Savings deposits	9,611,853,463	8,840,324,139
Fixed deposits	40,957,052,467	43,164,991,799
Other deposits	-	-
Total	**50,568,905,930**	**52,005,315,939**
By currency		
Sri Lanka Rupee	50,568,905,930	52,005,315,939
United States Dollar	-	-
Great Britain Pound	-	-
Others	-	-
Total	**50,568,905,930**	**52,005,315,939**

b. Customer Category

Banks	5,001,479	-
Finance Companies	2,519,512	579,430
Other Customers	50,566,386,418	52,004,736,509
Total Due to Depositors by Customer Category	**50,568,905,930**	**52,005,315,939**

c. Maturity

Due within One Year	31,964,948,723	36,366,838,054
Due after One Year	18,603,957,207	15,638,477,884
Total Due to Depositors by Maturity	**50,568,905,930**	**52,005,315,939**

37 **Debt Securities Issued**

In Rupees	2025	2024
Issued by the bank	-	1,427,189,326
Issued by other subsidiaries	-	-
Total	-	**1,427,189,326**

a. Debenture issued by the Bank

Balance as at 01/01	1,423,966,000	1,423,966,000
Debenture Redeemed	(1,423,966,000)	-
Interest Payable	169,052,400	170,524,991
Interest Paid	(169,052,400)	(169,052,400)
Balance as at 31/12	-	**1,425,438,591**

b. Debentures due

Due within 1 year	-	1,427,189,326
Due after 1 year	-	-
Total	-	**1,427,189,326**

c. Details of Debt Securities Issued

In Rupees Type	Face Value In Rupees	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Balance 2025	Balance 2024
Issued by the bank						
Listed , secured, Redeemable & Rated 10 Year Debenture(Fixed Annual)	1,408,770,000	12%	20th November 2015	20th Nov. 2025	-	1,427,189,326
Sub total					-	1,427,189,326

d. Interest Rate of Comparable Government Securities

Debenture Type	Interest rate % 31.12.2025	Interest rate % 31.12.2024	Gov. security Interest rate % 31.12.2025	Gov. security Interest rate % 31.12.2024
Debenture - 10Years- 2015(Fixed Annu. 2025)	-	12.00	-	13.63

e. Interest Cover

Debenture Type	Interest Cover Ratio(Times) 31.12.2025	Interest Cover Ratio(Times) 31.12.2024
Debenture - 10Years- 2015(Fixed Annu. 2025)	-	7.26

f. Debt/Equity

Debenture Type	Debt/Equity Ratio 31.12.2025	Debt/Equity Ratio 31.12.2024
Debenture - 10Years- 2015(Fixed Annu. 2025)	-	19%

Market Price of Debentures during the Year	2025			2024		
Type of Debentures	Highest Price	Lowest Price	Last Trading Price	Highest Price	Lowest Price	Last Trading Price
Debenture - 10Years- 2015(Fixed Annu. 2025)	N/T	N/T	N/T	N/T	N/T	N/T

N/T=Not Traded

38 **Lease Liability**

In Rupees	2025	2024
Opening Balance	303,181,636	335,679,257
Additions & Opening Adjustment	95,230,740	35,572,669
Amortization interest	43,748,607	44,754,218
Payments	(114,343,978)	(112,824,508)
Closing Balance	**327,817,006**	**303,181,636**

a. Maturity Analysis of Lease Liability

In Rupees	2025	2024
Less than one year	25,942,588	23,993,009
One to five years	140,122,169	129,592,022
More than five years	161,752,249	149,596,606
Total	**327,817,006**	**303,181,636**

b. Amounts Recognised in Profit or Loss

Interest on lease liability	43,748,607	44,754,218
Amortisation charge for the year(Refer to note 21)	82,111,827	77,543,805
Total	**125,860,434**	**122,298,023**

c. Amounts Recognised in Statement of Cash Flows

Lease rental payments	114,343,978	112,824,508
Total	**114,343,978**	**112,824,508**

39 Retirement benefit obligations

In Rupees	2025	2024
Present value of defined benefit obligation		
Normal Gratuity Provision	667,750,560	637,169,438
Special Gratuity Provision	392,981,235	388,449,715
Less: Fair value of plan assets	-	-
Total	**1,060,731,793**	**1,025,619,153**

a. Contributions to defined benefit plans

Actuarial Valuation of Gratuity Liabilities as at 31 December 2025	**Normal Gratuity**	**Special Gratuity**	**2025 TOTAL**	**2024 TOTAL**
Accounting Disclosures :	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Change in the Present Value of The Difined Benefit Obligation (PV-DBO)				
Provision for PV-DBO as at 01 January 2025	637,169,437	388,449,716	1,025,619,152	872,627,706
Interest Cost for the period	63,770,180	36,504,290	100,274,470	113,441,602
Current Service Cost for the period	36,625,657	17,837,602	54,463,259	46,825,257
Gratuity paid for those who left during the period	(99,496,667)	(77,478,053)	(176,974,720)	(89,213,752)
Gratuity payable for those who left during the period	(15,384,379)	(35,707,014)	(51,091,393)	-
Actuarial (Gain)/Loss on PV-DBO	45,066,333	63,374,692	108,441,024	81,938,339
Provision for PV-DBO as at 31 December 2025	667,750,560	392,981,233	**1,060,731,793**	**1,025,619,152**
AMOUNTS RECOGNIZED IN THE BALANCE SHEET AND INCOME STATEMENT				
Liability recognised in the balance sheet				
Provision for Gratuity as at 31 December 2024	667,750,560	392,981,233	1,060,731,793	1,025,619,152
Unrecognized actuarial Gains/(Losses) as at 31 December 2024	-	-	-	-
Liability recognized in the balance sheet as at 31 December 2024	667,750,560	392,981,233	**1,060,731,793**	**1,025,619,152**
Expenses recognized in the income statement				
Interest Cost	63,770,180	36,504,290	100,274,470	113,441,602
Current Service Cost	36,625,657	17,837,602	54,463,259	46,825,257
Expenses recognized in the Income Statement (Note 09)	100,395,837	54,341,892	**154,737,729**	**160,266,859**
Expenses recognized in Other Comprehensive Income statement				
Net Actuarial (Gain)/Loss recognized immediately	45,091,315	63,349,710	108,441,025	81,938,339
Expenses recognized in Other Comprehensive Income statement	45,091,315	63,349,710	**108,441,025**	**81,938,339**
Movements in the Net Liability Recognised in the balance sheet				
Opening Net Liability as at 01 January 2024	637,169,437	388,449,716	1,025,619,152	872,627,706
Expences recognized in the Income Statement	100,395,837	54,341,892	154,737,729	160,266,859
Expenses recognized in Other Comprehensive Income statement	45,091,315	63,349,710	108,441,025	81,938,339
Gratuity paid/payable for those who left during the period	(114,881,046)	(113,185,067)	(228,066,113)	(89,213,752)
Closing Net Liability as at 31 December 2024	**667,775,542**	**392,956,251**	**1,060,731,794**	**1,025,619,152**

b. Actuary details

Name of the Actuary — Units Actuaries & Consultants Pvt Ltd

Date of the Acturial Computation — 23rd January 2026

Method of Valuation — Projected Unit Credit Method

Valuation Assumptions:
Mortality : IALM 2006-08 Mortality Table
Disability : 10% of the Mortality
Staff Turnover Rates :

Age	All
18-24	22%
25-29	22%
30-34	6%
35-39	6%
40-44	6%
45-49	4%
50-54	3%
55-59	0%

Normal Retirement Age : 60 Years (The employee who are aged over the specified retirement age have been assumed to retire on their respective next birthday)

Rate of Discount :10.00% p.a.
Salary Escalation Rates : Basic Salary : 8.0% p.a. ; COLA : 6.00% p.a.
Increments are due in July every year -Currency : (LKR)
Retiring Gratuity Formula : Normal Gratuity - Half month's consolidated Salary for each completed year of service for those with at least 5 years service in the event of employees leaving of the company other than death.

In the event of death : For permanent Staff: two month's consolidated Salary for each completed year of service subject to minimum of 6 month's salary
For Others: half of the above benefit is payable

Special Gratuity - Only at retirement, Half month's consolidated salary for each completed year of service for those with at least 15 years service.

Table 2: A Summary Results (Category wise)

CATEGORY	No Emps	TOT Basic Salary (Rs.)	TOT Other Allowances (Rs.)	TOT CSC (LKR)	Total PV-DBO (Rs.)(Normal+Special Gratuity)	AFWLT (Years)
Executives	241	27,813,093	15,455,000	36,710,771	849,924,493	9.2
Non Executives	212	11,738,365	10,709,481	14,414,070	210,807,300	12.4
TOTAL	**453**	**39,551,458**	**26,164,481**	**51,124,841**	**1,060,731,793**	**10.7**

Table 3: Sensitivity Analysis of Present Value of Defined Benefit Obligation

Assumption changed (while all other assumptions remain unchanged)	Total PV-DBO (Rs.)(Normal+Special Gratuity)
1% increase in discount rate	990,836,762
1% decrease in discount rate	1,140,403,451
1% increase in Salary Escalation rate	1,141,242,108
1% decrease in Salary Escalation rate	989,015,223

Detailed Accounting Disclosures :

Normal Gratuity +Special Gratuity

Break up of actuarial (gain)/loss on the defined benefit obligation (Rs.)

Experience adjustment (Financial and Demographic)	=	93,033,740.00
Due to changes in financial assumptions	=	22,350,680.00
Due to changes in demographic assumptions	=	(6,943,397.00)
Total	=	108,441,023.00

Distribution of Present Value of Defined Benefit Obligation In Future Years (Rs.)

During fiscal year 2026	=	106,545,773.35
During fiscal year 2027	=	104,450,175.02
During fiscal year 2028	=	106,144,388.03
During fiscal year 2029	=	64,807,331.31
During fiscal year 2030	=	74,542,920.76
Beyond 5 years	=	604,241,204.32
	=	1,060,731,792.80

Weighted Average Duration of Defined Benefit Obligation (Years) = 7

Current Tax Liabilities

In Rupees	2025	2024
Opening balance 01/ January	151,034,918	573,853,895
Prior Year Adjustments		(7,815,994)
Charge for the year - Income Tax	218,069,598	265,165,368
Total	**365,037,708**	**831,203,269**
Tax Payments during the year	(207,001,141)	(680,168,353)
Closing balance 31/ December	**158,036,567**	**151,034,918**

41 **Other Provisions**

In Rupees		
Other		
Total		

42 **Other Liabilities**

In Rupees	2025	2024
Sundry creditors	206,992,801	181,418,780
Interest payable	-	-
Impairment in respect of off-balance sheet credit exposures (Note 10)	-	-
Other payables	178,072,190	173,468,534
Total	**385,064,992**	**354,887,314**

43 **Perpetual Bond**

In Rupees	2025	2024
Capital	250,000,000	250,000,000
Interest	31,250,000	31,250,000
Total	**281,250,000**	**281,250,000**

44 **Due to Subsidiaries**

In Rupees		
	-	-
	-	-
Total	-	-

45 **Stated Capital/Assigned Capital**

	2025	2024	2025	2024
Ordinary shares	**No of Shares**	**No of Shares**	**LKR**	**LKR**
Capital	64,710,520	64,710,520	962,092,936	962,092,936
Total	**64,710,520**	**64,710,520**	**962,092,936**	**962,092,936**

46 **Statutory Reserve Fund**

In Rupees	2025	2024
Opening balance at 01/01/	353,799,215	353,799,215
Restatements	-	-
Transfers during the period	-	-
Closing balance at 31/12/	**353,799,215**	**353,799,215**

47 **Retained Earnings**

In Rupees	2025	2024
Opening balance at 01/ January	5,865,868,596	6,056,524,798
IFRS 16 Adjustments/Restatements		
Profit for the year	(93,113,931)	(190,656,202)
Transfers to other reserves and adjustments	-	-
Dividend	-	-
Closing balance at 31/ December	**5,772,754,664**	**5,865,868,596**

48 **Other Reserves**

a. Bank - Current year (2025)

Description	Opening balance at 01/01/2025	Movement/ transfers	Closing Balance 31/12/2025
General reserve	633,999,931	-	633,999,931
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Foreign currency translation reserve	-	-	-
OCI reserve	(94,380,316)	(75,908,718)	(170,289,034)
FVTOCI Reserves	(8,401,132)	8,401,133	1
Others	-	-	-
Total	**531,218,473**	**(67,507,585)**	**463,710,898**

b. Bank – Previous year (2024)

Description	Opening balance at 01/01/2024	Movement/ transfers LFRS 9 Adjustments	Closing Balance 31/12/2024
General reserve	633,999,931	-	633,999,931
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Foreign currency translation reserve	-	-	-
OCI reserve	(27,817,282)	(66,563,035)	(94,380,316)
FVTOCI Reserves	16,859,860	(25,260,991)	(8,401,132)
Others	-	-	-
Total	**623,042,499**	**(91,824,026)**	**531,218,483**

49 Non-controlling Interests

In Rupees	2025	2024
N/A	-	-
Total	-	-

50 Contingent Liabilities and Commitments

In Rupees	2025	2024
Bonds	-	-
Letters of credit	-	-
Other contingent items	-	-
Undrawn loan commitments	17,960,372	18,078,151
Guarantees	11,050,000	12,720,000
	29,010,372	**30,798,151**

a. Movements in Impairment during the Year

In Rupees	2025	2024
Opening balance at 01/01	329,315	4,774,247
Charge/ (Write back) to income statement	704,629	(4,444,932)
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
Closing balance at 31/12	**1,033,944**	**329,315**

51 Material Litigation Against the Bank

In the normal course of business, the bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. Based on the assessment carried out, the Bank is of the view that the legal cases filed against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.

52 Tax Assessments Against the Bank

The following tax assessments are outstanding, against which the Bank have duly appealed.

Tax Type	Year of Assessment	Balance Tax Payable/ (Refund Claimed)	Interest payable	Penalty Payable	Total	Remark
IT	2018/2019	112,566,675	71,630,351	15,220,336	199,417,362	Reserve for determination (TAC)
IT	2019/2020	144,542,076	71,548,328	-	216,090,404	Under the TAC hearing process
IT	2020/2021	32,816,210	19,197,483	6,563,242	58,576,935	As per records, the bank set off the balance
VAT on FS	2016/2017					TAC has annulled the assessment
VAT on FS	2019/2020	1,760,123			1,760,123	Intention submitted to TAC
VAT on FS	2020/2021	12,213,994		6,106,997	18,320,991	CGIR's Decision is pending (AR)
DRL	2019/2020	860,189			860,189	TAC has annulled the assessment
SSCL	2340	2,692,000	-	-	2,692,000	CGIR's determination is pending (Appeal)

The bank made appeals to the Commissioner General and the Tax Appeals Commission against the assessment and determination. As per the appeal, there is no tax payable by the bank. Further to that the appeals involve a highly technical interpretation of the law, which should be determined in several stages, ultimately reaching the Supreme Court and also as per the available information, bank believe that there is no additional tax expense.

53. (a). Liability on Incentive Bonus

In accordance with Section II of the Collective Agreement, the Bank is contractually obligated to pay an incentive bonus to employees upon the achievement of stipulated financial performance criteria.

For the financial year ended 31 December 2023, the Bank reported a Profit After Tax of LKR 1,302 million. Based on this performance, the estimated liability in respect of the incentive bonus payable to employees amounts to approximately LKR 324 million.

During the year, the Bank reclassified and disposed of a bond portfolio with the objective of strengthening its capital position and building an additional capital buffer. Accordingly, the gains arising from this transaction have been considered as one off extra ordinary gain and not a part of normal business operations. Hence, the payment of incentive bonus would not be arisen in the financial year 2023

53.(b). Restructuring of HDFC Bank

With the concurrence of the Central Bank of Sri Lanka (CBSL), the Government reviewed the Bank's existing business model and operational structure. Following this review, the Cabinet of Ministers approved a proposal to restructure the Bank's operations in compliance with the regulatory requirements of the CBSL.

Accordingly, Cabinet approval was granted its meeting held on 10 November 2025 to the Hon. Minister of Finance to transfer all shares held by the Government of Sri Lanka in the Bank to the Bank of Ceylon. Upon completion of the proposed consolidation, the Bank is expected to continue its operations as a subsidiary of the Bank of Ceylon.

54 FINANCIAL RISK MANAGEMENT

54.1 Introduction and Overview

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

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

54.1.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee, the Board Audit Committee and the Board Credit 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 Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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 Audit 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.

54.1.2 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.

54.1.3 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).

54.1.4 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.

54.2 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).

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Intergrated Risk Management Committee. Bank Credit Risk Monitoring 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 authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.

- Reviewing and assessing credit risk. Heads 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 Heads 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
Stage 1	
Regular	Performing
1 - 30 days	Performing
Stage 2	
31-60 days	Under Performing
61-90 days	Under Performing
Stage 3	
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.**
Financial assets at amortised cost - Loans and advances								
Grade 0 - 2 Performing Loans	14,773,989,849	3,904,090,327	-	18,678,080,176	16,938,320,311	5,258,788,065	-	22,197,108,376
Grade 3: NPA Special Mention	-	-	519,857,708	519,857,708	-	-	519,857,708	519,857,708
Grade 4: NPA Substandard	-	-	201,266,489	201,266,489	-	-	201,266,489	201,266,489
Grade 5: NPA Doubtful	-	-	187,434,428	187,434,428	-	-	187,434,428	187,434,428
Grade 6: NPA Loss	-	-	17,870,850,727	17,870,850,727	-	-	19,552,320,921	19,552,320,921
Total loans and receivables from other customers	14,773,989,849	3,904,090,327	18,779,409,352	37,457,489,527	16,938,320,311	5,258,788,065	21,029,188,548	43,226,296,923
Expected credit loss allowance	(215,359,763)	(191,717,464)	(2,540,747,330)	(2,947,824,556)	(288,972,714)	(211,411,306)	(2,027,135,168)	(2,527,519,189)
IIS			-	-			-	-
Net loans and receivables from other customers	14,558,630,086	3,712,372,863	16,238,662,022	34,509,664,971	16,649,347,596	5,047,376,759	18,433,744,377	40,130,468,733
Financial assets at amortised cost - Debt & other instruments								
Investment in debentures	1,907,751,627	-	78,031,567	1,985,783,195	1,678,612,838	-	78,031,567	1,756,613,806
Government debt securities-treasury bills & bonds	13,073,796,001	-	-	13,073,796,001	12,502,369,295	-	-	12,502,369,295
Reverse Repo with Non LCBs	4,345,132,093	-	-	4,345,132,093	3,517,933,151	-	-	3,517,933,151
Placement with Non Banks	2,646,707,769			2,646,707,769	-	-	-	-
Commercial Papers	1,005,473,875			1,005,473,875	-	-	-	-
Trust Certificates	503,488,656			503,488,656	-	-	-	-
Investment in CRIB	30,600			30,600	30,600	-	-	30,600
Total debt and other instruments	23,482,380,622	-	78,031,567	23,560,412,189	17,698,945,884	-	78,031,567	17,776,946,851
Expected credit loss allowance	78,031,567	-	(78,031,567)	-	(1,034,719)	-	(78,031,567)	(79,066,286)
Net debt and other instruments	23,560,412,189	-	-	23,560,412,189	17,697,911,165	-	-	17,697,880,565
Financial assets at FVOCI								
Government debt securities-treasury bills & bonds	-	-	-	-	4,739,113,040	-	-	4,739,113,040
Total Financial assets at FVOCI	-	-	-	-	4,739,113,040	-	-	4,739,113,040
Expected credit loss allowance	-	-	-	-	-	-	-	-
Net Financial assets at FVOCI	-	-	-	-	4,739,113,040	-	-	4,739,113,040
Placements with banks								
Investment in fixed deposits	2,573,753,050	-	-	2,573,753,050	36,288,005	-	-	36,288,005
Reverese Repo with LCBs	100,021,978	-	-	100,021,978				
Total placements with banks	2,673,775,028	-	-	2,673,775,028	36,288,005	-	-	36,288,005
Expected credit loss allowance	(195,531)	-	-	(195,531)	(4,881)	-	-	(4,881)
Net placements with banks	2,673,579,497	-	-	2,673,579,497	36,283,124	-	-	36,283,124
Commitments and Contingencies *								
Guarantees	11,050,000	-	-	11,050,000	12,720,000	-	-	12,720,000
Undrawn loan commitments	16,542,603	-	1,417,769	17,960,372	16,981,382	100,340	996,429	18,078,151
Total commitments and contingencies	27,592,603	-	1,417,769	29,010,372	29,701,382	100,340	996,429	30,798,151
Expected credit loss allowance	(895,086)	-	(4,105,506)	(1,033,944)	(281,133)	(2,168)	(46,014)	(329,315)
Net commitments and contingencies	26,697,517	-	(2,687,737)	27,976,428	29,420,249	98,172	950,415	30,468,836

* 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.

54.2.1 Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 3.B

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 3.B.Summary of significant accounting policies and in Note 3.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 2024.
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.

For corporate and investment banking financial instruments, LGD values are requred to be assessed and reviewed at least every three months and approved by the head of finance of the bank. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank 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.

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 catogorised them in top major sectors, in accordence to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2025 is the Housing Loan, Commercial, Agriculture, Pawning, Industrial, and Other Loans, Loans against deposits, Staff loans, Leasing, SME Loans.

Sector wise portfolios as per CBSL
1. Agriculture, Forestry & Fishing : Cultivation of perennial crops, Cultivation of non-perennial crops category
2. Manufacturing : Manufacture of textiles and apparel, Manufacture of food products and beverages and others.
3. Tourism : Provision of accommodation services, Hotel management services and other loans falls under this category.
4. Transportation & Storage : Air transport, Water transport and others
5. Construction : Purchase of land, construction and development of all types of residential buildings or remodeling and renovating existing residential structures fall under this category.
6. Infrastructure Development : Construction/development of highways and railways, Construction/development of utility projects and others
7. Wholesale & Retail Trade
8. Information Technology And Communication Services
9. Financial Services
10. Professional, Scientific & Technical Activities

11. Arts, Entertainment & Recreation
12. Education
13. Health Care, Social Services & Support Services
14. Consumption
15. Lending To Ministry Of Finance
16. Lending To Overseas Entites

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 10mn of the loan oustanding value, cash loan, gold loan & vested property, gurrantee loans on litigation and guarntee loans DPD above 1095 days.

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

- All loans which are not indivually impaired.

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

- Product Type
- Collateral Type
- Nature of Business
- Utilisation/Revolving Amount
- Income/Repayment source
- Loan Amount
- LTV
- LTI
- Repayment history

54.3 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% liquid coverage ratio to meet the regulatory requirement. Liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale.

54.3.1 Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of stock of high quality liquid assets to total net cash outflow over the next 30 calander days. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net high quality liquid assets to total net cash outflow next 30 calander days at the reporting date and during the year were as follows:

54.3.2 Analysis of Financial Assets and Financial Liabilities by Remaining Contractual Maturities

The tables below summarise the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2025. Although the cash outflows have been considered based on the earliest date of repayment, it is believed that most of the customers would not expect the repayments on the earliest possible date. Therefore, the behavioural maturity profile would be different to the contractual maturities shown in the below tables.

As at 31 December 2025	Total Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.
Financial Assets						
Cash and cash equivalents	260,851,252	260,851,252	-	-	-	-
Placements with banks	2,673,579,497	2,634,774,389	38,805,108	-	-	-
Loans & Advances	60,777,540,458	8,746,112,750	19,375,080,042	14,093,777,738	8,368,968,896	10,193,601,033
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	23,480,883,143	7,945,632,274	6,539,047,167	1,832,336,214	7,163,867,488	-
Total Financial Assets	**87,192,854,350**	**19,587,370,664**	**25,952,932,318**	**15,926,113,952**	**15,532,836,383**	**10,193,601,033**
Financial Liabilities						
Due to Banks	1,580,977,625	193,023,395	249,831,761	666,218,030	471,904,438	-
Deposits	52,261,609,746	18,255,059,510	16,051,624,258	8,422,924,797	7,129,037,829	2,402,963,353
Other Borrowings	1,498,254,274	1,498,254,274	-	-	-	-
Debt Security Issued	-	-	-	-	-	-
Debt Capital	281,250,000	-	31,250,000	-	-	250,000,000
Total Financial Liabilities	**55,622,091,645**	**19,946,337,178**	**16,332,706,019**	**9,089,142,827**	**7,600,942,267**	**2,652,963,353**
Total Net Financial Assets / (Liabilities)	31,570,762,705	(358,966,514)	9,620,226,298	6,836,971,124	7,931,894,116	7,540,637,680

54.3.3 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 Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Bank guarantee (without impairment)	-	3,900,000	7,150,000	-	-	11,050,000
Other Contingent items	-	17,960,372	-	-	-	17,960,372
Total Contingent Liabilities	-	21,860,372	7,150,000	-	-	29,010,372

As at 31 December 2024 Contingent Liabilities	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Bank guarantee (without impairment)	-	2,050,000	1,670,000	-	-	3,720,000
Other Contingent items	301,896,211	-	-	-	-	301,896,211
Total Contingent Liabilities	301,896,211	2,050,000	1,670,000	-	-	305,616,211

54.3.4 Liquidity Reserve

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

	2024 Carrying Amount	 Fair Value
Cash and Cash equivalents	**260,851,252**	**260,851,252**
debt and other instruments	**23,480,913,743**	**23,480,913,743**
Financial assets measured at fair value through OCI	-	-
Placements with banks	**2,673,579,497**	**2,673,579,497**
	26,415,344,492	**26,415,344,492**

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

54.3.5 Liquidity Coverage Ratio

The Bank has a Liquidity Coverage Ratio (LCR) as defined by the regulator. The LCR 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.

Commencing from 1 April 2015, all licensed specialised banks maintained Liquidity Coverage Ratios (LCR) as prescribed by CBSL in respect of Rupee Liquidity Minimum Requirement for local currency operations and All Currency Liquidity Minimum Requirement for the overall operations effective from 1 January 2019 onwards 100%.

The Monetary Board, considering the extraordinary circumstances caused by the current macroeconomic conditions, issued a direction to Licensed Banks to permiting to maintain LCR at a level not less than 100%.

Minimum Requirement (%) - effective from

	Effective from 1 July 2021
	100%

	2025	2024
The following were the Liquidity Coverage Ratios (%) of the Bank as at 31 December:		
Rupee Liquidity Requirement for Local Currency Operations	217	223

54.3.7 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	152.05%
As at 31st December 2024	131.00%

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	-	-	260,851,252	260,851,252	-	-	324,619,439	324,619,439
Placements with banks	-	-	2,673,579,497	2,673,579,497	-	-	36,283,124	36,283,124
Equity Instruments at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	-	-	34,509,664,971	34,509,664,971	-	-	40,130,468,733	40,130,468,733
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	4,739,113,040	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	-	-	23,480,913,743	23,480,913,743	-	-	17,697,880,565	17,697,880,565
Equity Instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Other assets	-	-	2,811,104,283	2,811,104,283	-	-	2,514,994,687	2,514,994,687
Total	-	-	63,736,113,746	63,736,113,746	-	-	65,443,359,587	65,443,359,587

54.4 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

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

		Market risk measure	
As at 31st December 2025	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to Market risk			
Cash and cash equivalent	260,851,252	-	260,851,252
Placements with banks	2,673,579,497	-	2,673,579,497
Financial assets at amortised cost - Loans and advances	34,509,664,971	-	34,509,664,971
Financial assets measured at fair value through other comprehensive income	-	-	-
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	23,480,913,743	-	23,480,913,743
Other assets	2,811,104,286	-	2,811,104,286
	63,736,113,749		63,736,113,749
Liabilities subject to Market risk			
Due to banks	1,903,695,542	-	1,903,695,542
Due to depositors	50,568,905,930	-	50,568,905,930
Due to other borrowers	1,779,504,274	-	1,779,504,274
Debt securities issued	-	-	-
Current tax liabilities	158,036,567	-	158,036,567
Other liabilities	1,773,613,791	-	1,773,613,791
	56,183,756,103		56,183,756,103

		Market risk measure	
As at 31st December 2024	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios**
Assets subject to Market risk			
Cash and cash equivalent	324,619,439	-	324,619,439
Placements with banks	36,283,124	-	36,283,124
Financial assets at amortised cost - Loans and advances	40,130,468,733	-	40,130,468,733
Financial assets measured at fair value through other comprehensive income	4,739,113,040	-	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	17,697,880,565	-	17,697,880,565
Other assets	2,514,994,687	-	2,514,994,687
	65,443,359,587		65,443,359,587
Liabilities subject to Market risk			
Due to banks	566,485,896	-	566,485,896
Due to depositors	52,005,315,939	-	52,005,315,939
Due to other borrowers	1,896,666,188	-	1,896,666,188
Debt securities issued	1,427,189,326	-	1,427,189,326
Current tax liabilities	151,034,918	-	151,034,918
Other liabilities	1,683,688,103	-	1,683,688,103
	57,730,380,369		57,730,380,369

54.5 The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet.

As at 31 December 2025 (Rs.)	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non- Sensitive	Total
Financial Assets							
Cash and cash equivalents	-	-	-		-	260,851,252	260,851,252
Placements with banks	-	38,805,108	-		-	-	38,805,108
Financial assets at amortised cost - loans and advances	1,270,373,683	8,343,995,091	1,739,429,779	1,814,280,833	21,341,585,585	-	34,509,664,971
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	7,945,632,274	6,539,047,167	1,832,336,214	-	30,600	-	16,317,046,255
Other assets						2,811,104,286	2,811,104,286
Total Financial Assets	9,216,005,956	14,921,847,367	3,571,765,993	1,814,280,833	21,341,616,185	3,071,955,538	53,937,471,872
Financial Liabilities							
Due to banks	209,796,141	300,150,000	800,400,000	-	-	-	1,310,346,141
Financial liabilities at amortised cost - due to depositors	13,775,899,483	14,466,051,720	7,423,713,009	5,133,118,888	9,770,122,778	-	50,568,905,877
Financial liabilities at amortised cost - due to other borrowers	1,498,254,274	-	-	-	-	-	1,498,254,274
Debt securities issued	-	-	-	-	-		-
Perpetual Bond	-	31,250,000	-	-	250,000,000	-	281,250,000
Lease Liability	-	-	-	-	-	327,817,006	327,817,006
Other liabilities	-	-	-	-	-	1,603,833,354	1,603,833,354
Total Financial Liabilities	15,483,949,899	14,797,451,720	8,224,113,009	5,133,118,888	10,020,122,778	1,931,650,359	55,590,406,652
Interest rate sensitivity gap	(6,267,943,942)	124,395,647	(4,652,347,016)	(3,318,838,055)	11,321,493,408	1,140,305,179	(1,652,934,780)
1% increase	(62,679,439)	1,243,956	(46,523,470)	(33,188,381)	113,214,934		(27,932,400)
1% decrease	62,679,439	(1,243,956)	46,523,470	33,188,381	(113,214,934)		27,932,400

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100bp parallel fall or rise in all yield curves across the board. The above table contains the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position

As at 31 December 2024 (Rs.)	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non- Sensitive	Total
Financial Assets							
Cash and cash equivalents	-	-	-		-	324,619,439	237,281,596
Placements with banks	-	36,283,124	-		-	-	33,313,701
Financial assets at amortised cost - loans	1,992,195,994	14,525,892,968	9,431,691,224	6,709,958,737	7,470,729,809	-	40,130,468,733
Financial assets measured at fair value	4,739,113,040	-	-	-	-	-	16,814,671,833
Financial assets measured at Amortised	-	-	-	-	-	-	5,489,928,994
Financial assets at amortised cost - debt	14,328,918,437	57,383,321	3,311,548,207	-	30,600	-	1,672,845,294
Other assets						2,514,994,687	2,514,994,687
Total Financial Assets	21,060,227,470	14,619,559,413	12,743,239,431	6,709,958,737	7,470,760,409	2,839,614,126	66,893,504,838
Financial Liabilities							
Due to banks	518,480,740	48,005,156	-	-	-	-	799,829,801
Financial liabilities at amortised cost -	18,683,433,794	17,683,404,261	3,998,106,320	9,430,290,530	2,210,081,035	-	53,613,103,535
Financial liabilities at amortised cost -	1,360,398,374	255,017,814	-	-	-	-	1,525,526,578
Debt securities issued	-	1,427,189,326	-	-	-		1,425,438,591
Perpetual Bond	-	31,250,000	-	-	250,000,000	-	281,250,000
Lease Liability	-	-	-	-	-	303,181,636	303,181,636
Other liabilities	-	-	-	-	-	1,531,541,385	1,531,541,385
Total Financial Liabilities	20,562,312,907	19,444,866,556	3,998,106,320	9,430,290,530	2,460,081,035	1,834,723,021	59,479,871,526
Interest rate sensitivity gap	497,914,563	(4,825,307,143)	8,745,133,111	(2,720,331,792)	5,010,679,375	1,004,891,105	7,413,633,311
1% increase	4,979,146	(48,253,071)	87,451,331	(27,203,318)	50,106,794		67,080,881
1% decrease	(4,979,146)	48,253,071	(87,451,331)	27,203,318	(50,106,794)		(67,080,881)

54.6 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 supporte 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.

55 CAPITAL MANAGEMENT

55.1 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 Group 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. The current statutory minimum capital is Rs. 7,500 Mn and the bank capital is above the statutory minimum as at the date, refer note no 43-48.

55.2 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-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.

55.3 Capital Adequacy

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
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

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.

As per the Banking Act Direction No 01 of 2016 dated 29 December 2016 on Capital Requirements under BASEL III which was effective from 1 July 2017 and the amendments thereto under Directions No. 11 of 2019 dated 20 December 2019, the minimum required capital ratios to be maintained by the Bank are as follows.

• 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**	**Capital Adequacy Ratio to be maintained by Licensed Banks determined as DSIBs**
Common Equity Tier 1 including Capital Conservation Buffer	7.50%	8.50%
Total Tier 1 including Capital Conservation Buffer	8.50%	10.00%
Total Capital Ratio including Capital Conservation Buffer	12.50%	14.00%

As at 31st December

CAPITAL BASE **As at 31st December**	**2025** **(Rs.000')**	**2024** **(Rs.000')**
Total Common Equity Tier I (CET1) Capital		
Paid-up Ordinary Shares/Common Stock/Assigned Capital	647,105	647,105
Share Premium	314,988	314,988
Equity capital or stated capital/assigned capital	962,093	962,093
Reserve Fund	353,799	353,799
Published Retained Profits/(Accumulated Losses)	5,772,755	5,865,869
Accumulated other comprehensive income (OCI)		
General and Other Reserves	463,711	531,218
Sub Total	7,552,358	7,712,979
Total Adjustments to CET1 Capital		
Deferred tax assets (net)	649,752	505,382
Other intangible assets (net)	24,024	65,643
Advances granted to employees of the bank for the purchase of shares of the bank under a share ownership plan		
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity		
Common Equity Tier I (CETI) Capital after Adjustments	6,878,582	7,141,954
Additional Tier 1 (AT1) Capital after Adjustments		
Qualifying Additional Tier 1 Capital Instruments	250,000	250,000
Total Tier 01	7,128,582	7,391,954
Tier 2 Capital after Adjustments		
Additions		
General Provisions(Stage 1&2 Impairment)	203,918	217,005
Deductions		
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity		
Tier II Capital	203,918	217,005
Capital Base	7,332,501	7,608,959
Total risk adjusted balances (credit risk, market risk, operational risk)	21,442,413	21,957,837

Risk Adjusted Capital Ratios		
Common Equity Tier 1 Capital Ratio *	32.08%	32.53%
Tier 1 (Total Tier 1 capital / Total risk adjusted balances) **	33.25%	33.66%
Tier 11(Capital base / Total risk adjusted balances) ***	34.20%	34.65%

* Minimum 7.00 ** Minimum 8.50% ***Minimum 12.50%

RISK ADJUSTED ON - BALANCE SHEET EXPOSURE -RS.000'

As at 31st December	Balance 2025	Balance 2024	Risk Weights (%)	Risk Adjusted Balance 2025	Risk Adjusted Balance 2024
Exposures					
Cash- Local Currency	151,430	174,105	0%	-	-
Sri Lanka Govt Treasury Bills & Bonds	17,518,950	20,759,415	0%	-	-
Central Bank of Sri Lanka	-	-	0%	-	-
Claims on Public Sector Entities (PSEs) (AAA to AA-)	426,258		50%	213,129	-
Claims on Public Sector Entities (PSEs) (BBB+ to BB-)		426,295	100%		426,295
Claims on Public Sector Entities (PSEs) (Below BB-)			150%		
Loan & Advances					
Claims Secured by Residential Property					
Claims that qualify for regulatory capital purposes	5,554,754	6,288,889	35%	1,944,164	2,201,111
Claims that not qualify for regulatory capital purposes	203,072	1,744,940	100%	203,072	1,744,940
Housing loans against EPF.	14,561,966	18,604,574	0%	-	-
Cash Margin Loans	2,980,937	2,689,558	0%	-	-
Gold Loans	-	-	0%	-	-
Loan to Value Ratio equal to or less than 70%	1,903,723	496,226	0%	-	-
Loan to Value Ratio over 70% and less than 100%	595	927,500	20%	119	185,500
Loan to Value Ratio equal to or over 100%			100%		-
TradingInvestment					
Retail claims that qualify for regulatory capital purposes			75%		
SME exposures secured on Immovable Property	187,657	398,856	60%	112,594	239,314
Other SME exposures	757	6,291	75%	568	4,718
Individual exposures	3,890,997	4,035,398	75%	2,918,248	3,026,549
Retail claims that do not qualify for regulatory capital purposes		39,107	100%		39,107
Claims Secured by Real State			100%		
Non Performing Assets					
Past Due Residential Mortgage Loans					
Specific provisions are more than 20%	1,600	6,141	50%	800	3,070
Specific provisions are less than 20%	2,684,261	1,713,167	100%	2,684,261	1,713,167
Housing loans on Guarantors & others,Lease					
Specific provisions are more than 20%	1,422,582	659,557	100%	1,422,582	659,557
Specific provisions are less than 20%	227,807	3,020,699	150%	341,710	4,531,049
Due From local Commercial Banks Less Than Three Months (AAA to BBB-)	2,143,457	150,515	20%	428,691	30,103
Due From local Commercial Banks Less Than Three Months (BB+ to B-)	500,854	-	50%	250,427	-
Due From local Commercial Banks More than Three Months(AAA to AA-)	38,805		20%	7,761	
Due From local Commercial Banks More than Three Months(A+ to BBB-)	354,610	390,949	50%	177,305	195,474
Due From local Commercial Banks More than Three Months(BB+ to B-)	-	-	100%	-	-
Claims on Financial Institutions/Primary Dealers/Finance Companies (AAA to AA-)	214,877	135,608	20%	42,975	27,122
Claims on Financial Institutions/Primary Dealers/Finance Companies (A+ to BBB- and unrated)	3,517,872	214,882	50%	1,758,936	107,441
Claims on Financial Institutions/Primary Dealers/Finance Companies (BB+ to B-) & unrated			100%		
Claims on Other Financial Institutions(A+ to A-)	-	-	50%	-	-
Claims on Corporate (AAA+ to AA-)	-		20%		
Claims on Corporate (A+ to A-)	1,548,338	547,167	50%	774,169	273,584
Claims on Corporate (below BB-)	-		150%		
Claims on Corporate (Unrated)	31		100%	31	
Fixed Assets	168,800	187,198	100%	168,800	187,198
Other Assets	2,863,109	1,756,771	100%	2,863,109	1,756,771
Retail claims that qualify for regulatory capital purposes - Off Balance Sheet					
Total Risk Weighted Assets On Balance Sheet	63,068,097	65,373,809		16,313,452	17,352,070
Total Risk Weighted Assets	63,068,097	65,373,809		16,313,452	17,352,070
Total risk adjusted balance for operational risk				5,128,961	4,605,765
Total risk adjusted balance for Market risk					
Total risk adjusted balances (credit risk, market risk, operational risk)				21,442,413	21,957,837

56.0 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.

		2025		2024	
	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets		**Rs.**	**Rs.**	Rs.	Rs.
Cash and cash equivalent	Level 2	260,851,252	260,851,252	324,619,439	324,619,439
Placements with Banks	Level 2	2,673,579,497	2,673,579,497	36,283,124	36,283,124
Financial assets measured at Amortised Cost	Level 2	-	-	-	-
Financial assets at amortised cost - Debt & other instruments	Level 2	23,480,913,743	23,861,607,202	17,697,880,565	17,697,880,565
Financial assets at amortised cost - Loans and advances	Level 2	34,509,664,971	35,499,939,538	40,130,468,733	40,130,468,733
		60,925,009,463	**62,295,977,489**	**58,189,251,860**	**58,189,251,860**
Financial liabilities					
Due to banks	Level 2	1,903,695,542	1,580,977,625	566,485,896	566,485,896
Due to depositors	Level 2	50,568,905,930	52,261,609,746	52,005,315,939	52,005,315,939
Due to other borrowers	Level 2	1,779,504,274	1,779,504,274	1,896,666,188	1,896,666,188
Debt securities issued	Level 2	-	-	1,427,189,326	1,427,189,326
		54,252,105,745	**55,622,091,645**	**55,895,657,348**	**55,895,657,348**

Related Party Transactions

57.Directors Interest in Contracts with the Bank

Name	Related Party	Office Holding	Transactions (Rs.Mn)	Nature of Transactions	% Regulatory Capital
J.K.A. SIRINATHA	Director / National Housing Development Authority	Director	547.78	Rent/ FD & Savings	7.47%
	Total		**547.78**		**7.47%**

58.1.Transactions with KMPs

The transactions made with KMP s as follows(Balance as at 31.12....)	2025 Rs"000"	% of Regulatory Capital
Loans and Advance	27,825	0.38%
Deposits	21,626	0.29%
Total	**49,451**	**0.67%**

58.2 Transactions with the Government of Sri Lanka and its Related Entities

The Bank enter into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities.

(a) The transactions entered with the Government of Sri Lanka and its related entities on a collective basis is as follows.

	Outstanding Balance 2025 ('000)	Outstanding Balance 2024 ('000)
Items in the Statement of Financial Position		
Assets		
Placements with banks	-	-
Financial assets at amortised cost - debt and other instruments	-	-
Financial assets measured at fair value through other comprehensive income	-	-
Financial assets measured at Amortised Cost	-	-
Financial assets at amortised cost - loans and receivables to other customers	-	-
Liabilities		
Financial liabilities at amortised cost		
Due to depositors		
Due to other borrowers	-	
Debt Capital	281,250	281,250
	281,250	281,250
Financial assets measured at fair value through other comprehensive income		

	During the year 2025 ('000)	2024 ('000)
Items in the Statement of Profit or Loss		
Interest income		
Interest expenses		
Cash dividends paid during the year	-	-

(b) Further transactions detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities;

:- Investments in Treasury Bills, Treasury Bond, Sovereign and Development Bonds and money market placements.
:- Payment of statutory rates, taxes and deposit insurance premium
:- Payment for utilities mainly comprising of telephone, electricity and water
:- Payment for employment retirement benefits - ETF

(c) Individually significant transactions The Bank uses an internal assessment methodology in order to identify significant transactions with the Government of Sri Lanka and Government related entities in accordance with the disclosure requirements of LKAS 24. Accordingly, there are no individually significant transactions that require disclosure during the year.

59.Events Occurring after the Date of Statement of Financial Position

There has been no material event after the date of Statement of Financial Position that requires adjustments or disclosure in the Financial Statement.

60. Minimum Share Holders for compliance

OPTION - 5	MINIMUM SHARE HOLDERS FOR COMPLIANCE		
	Float-adjusted Market Capitalization	Public Holding Percentage	Number of public Shareholders
Minimum	Less Than 2.5 Bn	20%	500
Available	1.88 Bn	50.24%	3,982

61. Maturity Gap Analysis

As at 31st December 2025 (LKR.)

	Up to 12 Months		More than 12 Months			
	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Assets						
Cash & Cash Equivalent	260,851,252	-	-	-	-	260,851,252
Placement with Banks	2,634,774,389	38,805,108	-	-	-	2,673,579,497
Loans & Advances	1,270,373,683	8,343,995,091	1,739,429,779	1,814,280,833	21,341,585,585	34,509,664,971
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	7,945,632,274	6,539,047,167	1,832,336,214	7,163,867,488	30,600	23,480,913,743
Property Plant & Equipments	-	-	-	-	165,349,769	165,349,769
Intangible Assets	-	-	-	-	27,473,534	27,473,534
Lease ROUA	-	-	-	-	283,762,098	283,762,098
Investment Properties	-	-	-	-	1,334,500,000	1,334,500,000
Differed Tax Assets	-	-	-	-	649,752,194	649,752,194
Other Assets	15,839,298	4,439,676	246,610,825	-	83,376,892	350,266,691
Total Assets	12,127,470,895	14,926,287,043	3,818,376,817	8,978,148,321	23,885,830,672	63,736,113,749
Percentage 31st Dec 2025	19.03	23.42	5.99	14.09	37.48	100.00
Percentage 31st Dec 2024	32.91	22.40	19.49	10.25	14.95	100.00
Liabilities						
Due to Banks	209,796,141	300,150,000	800,400,000	593,349,400	-	1,903,695,542
Deposits	13,775,899,483	14,466,051,720	7,423,713,009	5,133,118,888	9,770,122,778	50,568,905,877
Other Borrowings	1,498,254,274	-	-	-	-	1,498,254,274
Debt Security Issued	-	-	-	-	-	-
Lease Liability	-	-	-	-	327,817,006	327,817,006
Retirement Benefits obligations	162,500	70,368,895	160,044,705	107,172,004	722,983,691	1,060,731,795
Current Tax Liabilities	-	158,036,567	-	-	-	158,036,567
Other Liabilities	279,654,834	50,548,605	-	-	54,861,553	385,064,992
Debt Capital	-	31,250,000	-	-	250,000,000	281,250,000
Equity Capital	-	-	-	-	7,552,357,727	7,552,357,713
Total Liabilities	15,763,767,232	15,076,405,787	8,384,157,713	5,833,640,293	18,678,142,754	63,736,113,766
Percentage 31st Dec 2025	24.73	23.65	13.15	9.15	29.31	100.00
Percentage 31st Dec 2024	31.76	30.20	6.38	14.61	17.06	100.00

62.Assets Pledge

	Type of Facility	Amount of facility Rs Mn	Nature of Seurity	Value of security Rs Mn	Balance as at 31-12-2025 Rs Mn
(1)	Overdraft (Sampath Bank)	300	Unsecured	-	42
(2)	Borrowing (Term Loan) (Sampath Bank)	2,000	Unsecured	-	1,496
'(3)	Money Market Loan (Sampath Bank)	300	Unsecured	-	300